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Competence, Integrity and Virtue
Zambia Institute of Chartered Accountants

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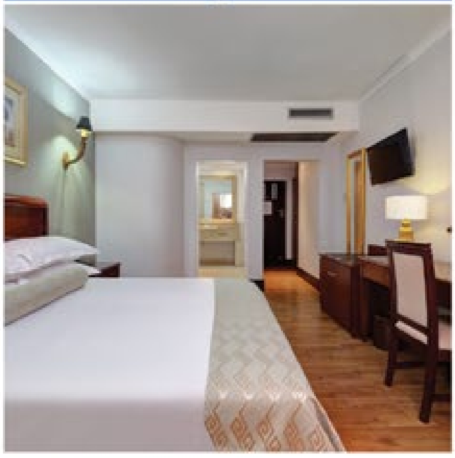

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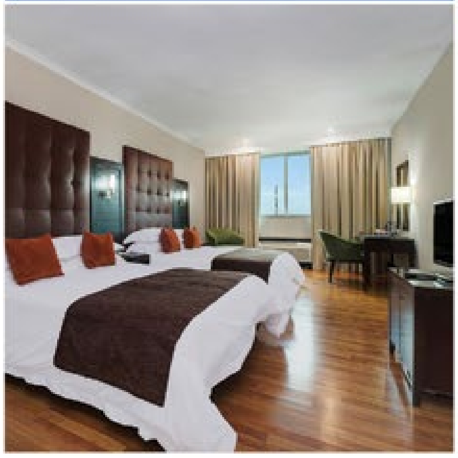

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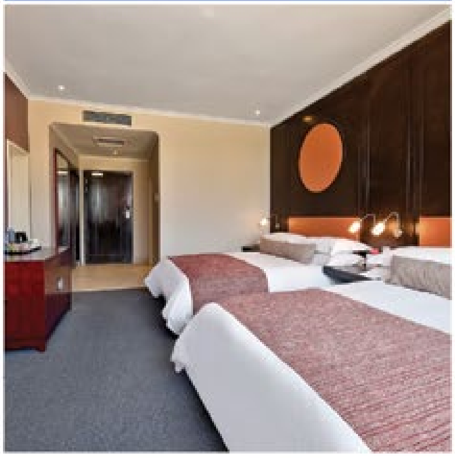

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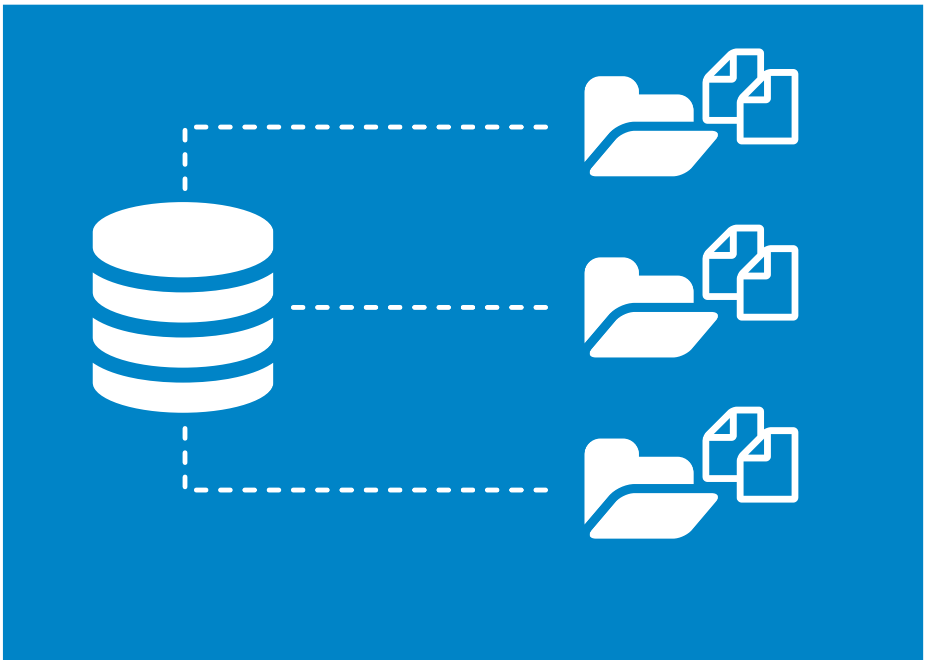

AN INTERESTING 2018 IT WAS, WELCOME TO 2019!

It is once again a profound honour to present this message to you my fellow accountants in this first issue of the prestigious Accountant Journal for 2019. The past year – 2018 was certainly not easy and plain sailing for the Institute but despite the tough economic fundamentals, we stood firm as a profession.

In 2018, we had the privilege as an Institute of advising Government on a number of economic matters in line with our mandate as enshrined in the Accountants Act of 2008. We successfully hosted four (4) quarterly media briefings aimed at advising Government on matters of public interest and provided our input on the following matters:

- Public Finance Mismanagement
- Financial Irregularities for the past 10 years
- The 2016 Auditor General's Report
- Appointment/ Confirmation of a qualified person to the Office of the Auditor General
- Enactment of the Public Finance Management Act
- Reports of the Financial Intelligence Centre
- Sinking Fund
- Transfer Pricing
- The Austerity measures
- The IMF support
- The Health Insurance bill
- SI 34 Regulation of Accountants and Auditors fees
- The 2019 National Budget

As you may be aware, in the year 2018, the Government through the Civil Service Commission dismissed accounting and operations Staff who were involved in misappropriation of public funds as spelled out in the Public Financial Management Act of 2018. The dismissed officials from the accounting cadre were from Ministry of General Education, Ministry of Commerce Trade and Industry, Ministry of Foreign Affairs and Lusaka Provincial Administration.

As part of our mandate, investigations were instituted which revealed that the said officials of accounting cadre that were dismissed were members who were not in good standing with the provisions of the Accountants Act Section 2, which requires all accountants to be registered under the Accountants Act of 2008. The accountants who were working for Government and not in good standing violated the Accountants Act Section 18.1 for holding out or impersonating as accountants when they were not.

Under the accountants Act, it is unlawful for any private sector or public sector organisation including Government departments to employ accountants not in good standing with the Act. I therefore urge all employers in the country, private and public sector organisations to employ only accountants in good standing with the Accountants Act.

In addition, I wish to appeal to all individuals who are working as accounting personnel and pursuing the accountancy qualification to register with the Institute and uphold professional ethics as enshrined in the Code of Ethics for Professional accountants, which were adopted by ZICA for its members.

Jason Kazilimani Jr
ZICA PRESIDENT

The need for regulation of the accountancy profession cannot be overemphasised, the Institute needs the support of all members through alerting the Institute about personnel masquerading as accountants who are not in good standing with the Institute. The Institute observed a trend in 2018 during the compliance visits in which unregistered individuals masquerading as accountants were shielded by our own members. I urge all of you to be more patriotic and report such wrong doings to the Institute. The compliance visits are a key part of ensuring that the market has a cadre of accountants that are upholding the ethos for which the Institute exists. I wish to inform you that the compliance visits will continue 2019 and beyond and it is our expectation that members will give ZICA staff firm grounds in order for them to carry out their duties diligently in implementing the accountant's act 2008. Nevertheless, I am proud to mention that the year 2018 ended with a total of 6,640 registered members compared to 6,243 members in 2017. The Membership retention stood at 95%.

Continuous Professional Development (CPD) requirements are still mandatory as prescribed by the International Federation of Accountants (IFAC). Therefore, the Institute shall continue in 2019 and other years to come, to facilitate continuous training by holding workshops/seminars on various topical issues to help members keep themselves abreast with latest developments in the profession. The relevance of our members is as far as they can provide and produce high quality work according to prescribed standards.

Audit quality monitoring has been cardinal to the operations of the Institute by offering confidence on reliability of work done by practitioners. This is important to enhancing the profile of this exercise. I wish to urge our practitioners to adhere to appointments for visitations and provide all relevant documentation to avoid unnecessary delays. I must indicate that as a professional body of accountants, all documents submitted are held with confidentiality.

I am hopeful that the review of the Accountants Act will make progress in particular the Accountants Bill, 2018 and the revised Statutory Instrument No. 34 would be signed off in 2019.

In addition, the Institute continued engaging various institutions in order to raise financing for the construction of the ultra-modern office complex at its head office along Thabo Mbeki Road. The Institute prepared a concept note summarising the key terms and conditions of the proposed development. The concept note was shared and discussed with prospective financiers and developers.

The proposed development of Shungu Namutitima International Convention (SNICC) has reached an advanced stage. Having conducted a feasibility study which was favourable and developed the Master plan, the Institute through a competitive bidding process engaged a developer on a design, finance, construct and transfer basis. The process of undertaking the Environmental Impact Assessment (EIA) commenced and it is anticipated that the approval would be granted in 2019.

Let me also mention that the ZICA Property fund which is managed by Equity Capital Resources (ECR) recorded significant growth during 2018. Eight hundred and twenty five (825) members contributed to the fund by end of 2018. The fund Manager produced statements of accounts for all the members who have contributed to the fund. Members who have not received the statements should contact secretariat.

Colleagues, the Institute's five (5) years Strategic Plan 2014 – 2018 came to an end and a new plan has since been developed to run for the next 5 years 2019 – 2023 with a new Chief Executive Officer Mr. Bonna Kashinga in place, we look forward to the achievement of a number of objectives which have been set.

On behalf of Council and indeed on my own behalf, I wish to implore management to champion the cause of the 2019 - 2023 strategic plan and to see it to its fruition during the implementation period.

I wish all members of the accountancy profession a prosperous and successful 2019. Let us work together and make our Institute a truly global professional accountancy body.

Best wishes.

KNOWLEDGE MANAGEMENT AND THE ACCOUNTANCY PROFESSION

IN THIS edition, we have published an article on Corporate Knowledge Management. It is vital to note that today's business world has been transformed from an era of information to that of knowledge. What is knowledge management? What is its importance to the accountancy profession? These are critical questions and it is cardinal to have knowledge and appreciation of the importance and relevance of knowledge management to the accountancy profession.

Bonna Kashinga
ZICA CEO

The Oxford dictionary defines Knowledge as "Facts, information, and skills acquired through experience or education; the theoretical or practical understanding of a subject".

Daily, organisations produce knowledge from processes. Knowledge can be kept securely (stored) and unpacked for reference in future decision making processes. Creation of knowledge data banks, I think, is critical for organisations that do not want to fall in some data loss pitfalls. Management, on the other hand, relates to collection, storage and retrieval of information, data for use.

Duffy (1999) states that knowledge management is "a process that drives innovation by capitalising on organisational intellect and experience." This means that if critical knowledge is not saved or recorded, and afterwards shared, firms are more likely not to achieve their targeted productivity, because knowledge in all firms is indeed people-based.

Knowledge Management is simply a systematic approach to capturing and making use of a business' collective expertise to create value. Gartner defines Knowledge Management as a discipline that promotes an integrated approach to identifying, capturing, evaluating, retrieving, and sharing all of an organisation's information assets. These assets may include databases, documents, policies, procedures, and previously un-captured expertise and experience in individual members of the organisation.

The world has greatly changed as we are now living in a period of great change, bigger change, faster change, more complex change, more cross-functional change and more multi-disciplinary change. At the same time, we are more connected and processing more information than we ever did in the past. To be successful in this environment of rapid, simultaneous and continuous change, organisations or companies need to embrace knowledge management by growing their change agility not just to thrive, but to also survive.

Effective knowledge management can stimulate cultural change and innovation by encouraging the free flow of ideas. Knowledge management is widely used in information technologies, thus leading to innovation, and consequently, to competitive advantage of any organisation.

Organisations that implement knowledge management systems effectively end up:
• creating better products and services
• developing better strategies
• improving profitability
• reuse existing skills and expertise
• increasing operational efficiency and staff productivity
• recognising market trends early and gain an advantage over rivals;
• benchmarking against competitors and
• making the most of collective intellectual capital

As many organisations rely on accountants to perform critical financial recording and reporting functions, there is need for ensuring accuracy and for maintaining the highest levels of professional integrity. Although accountants face unique challenges that include rigorous month end deadlines, there is need to train new staff, and ensure compliance with regulatory requirements. Accountants often rely on a checklist of steps to ensure process consistency. Therefore, knowledge management is cardinal by ensuring that formal documentation of accounting processes exists.

Accountants today operate in constantly changing environments, alternating between heavy and light workloads. A few days before and after the end of each month, accountants often work long hours to "close the books" so that the company can report its financial results on time. In the middle of the month, attention is usually directed to account reconciliations, trend analyses, project development, and other efforts.

Clearly, the functioning of accounting departments has become subject to considerable public scrutiny. The requirement to publish accurate financial results requires stable, consistent processes within any organisation. A deliberate knowledge management (KM) programme to capture the explicit and tacit knowledge of accounts brings stability to the organisation and ensures the smooth operation of each month-end close process.

Knowledge management is a critical success factor for ensuring job satisfaction among accountants. Building a knowledge management system into an accounting function helps to ensure that accounting information is easy to access and in a usable format. KM processes enable the efficient internal flow of information among accountants and audit staff. As barriers to communication fall, the business will see gains in reduced cycle times as well as lower costs from the elimination of rework and duplicate efforts.

It is important for any organisation to embrace a knowledge management programme in order to have consistence and success in its business processes, including the accountancy department. It is easier to develop a knowledge management programme in any accounts department with the support of decision makers in the overall organisation. It is also important that the leadership in the accounts departments and managers outside the organisation encourage open sharing and transfer of knowledge. Knowledge management is an evolutionary process, which requires an incremental approach, and is certainly not a one-time project. It is also important to start small and be able to show some success in order to obtain and continue to build support for the activity. In order to be successful, the organisation needs to have a reasonable IT platform that could enable the timely exchange of knowledge, procedures, and processes.

To ensure best practice sharing, it is important to have a strong social network by providing opportunities for employees to informally interact. The organisation needs to encourage and sustain Communities of Practice, and provide incentives for teams and individuals for knowledge sharing. Measurements need to be considered up front in the planning process and "not after the fact."

Today's modern organisations should utilise knowledge management by making sure that:

- All relevant information and resources are accessed by employees whenever they needed it
- Important knowledge is kept within the business even after employees move on from the business
- It avoids duplicated efforts
- The organisation effectively takes advantage of existing expertise
- There standardised processes and procedures in place for knowledge management

This all leads to faster and more effective decision-making and easier collaboration. More importantly it stimulates innovation and growth.


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THE ROLE OF THE FINANCIAL SYSTEMS AND MARKETS IN COMBATING INFLATION

INFLATION is a topic that is widely spoken of in every economy. Both on a national level and on the international scene, this is an economic aspect that has managed to attain a great deal of attetion. There are many factors at play, one of which is the interaction of the elements of a financial market, both on the local and global scene.

A financial market is a collection of institutions and procedures for bringing buyers and sellers of financial instruments together. In other words, these are markets where financial assets are traded. The financial markets play a very important role in the implementation of a country's monetary policy.

The financial system/financial market plays a critical role or impacts greatly on inflation both on a national level and on the international market. This addresses the important role that financial systems play in combating/eliminating inflation both on national level and internationally.

Firstly, we need to establish what inflation is and once the problem has been resolved (definition explained), we embark on understanding how the various types of financial markets/systems impact inflation and finally, we will combat inflation using the financial markets via appropriate policy implementation.

WHAT IS INFLATION?

It may be one of the familiar words. Inflation has plunged countries into long periods of instability. Central bankers often aspire to be known as "inflation hawks." Politicians have won elections with promises to combat inflation, only to lose power after failing to do so. Inflation was even declared Public Enemy number 1 in the United States by President Gerald Ford in 1974. What then is inflation and why is it important to understand it and its implications?

Inflation is rate of increase in prices over a given period of time. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in the country (Ceyda Oner, what is inflation?)

The three types of inflation are:

- **Demand-pull inflation** - this is caused by an excessive increase in aggregate demand.
- **Cost-push inflation** - this is caused by an excessive increase in the cost of production, making supplies/producers to charge much for their products.
- **Hyperinflation** - caused by excessive growth in the money supply. Hyperinflation is an extremely high rate of inflation, making the country's currency worthless and the same usually leads to the introduction of new money.

The question here is how does the financial system/financial markets impact on the sustained increase in the average level of prices? Let us look at the financial system in more detail.

As defined in the introduction, a financial system is a collection of institutions and procedures for bringing buyers and sellers of financial instruments together. These financial instruments that are traded in the financial market are what finances economic activity within the country.

WHAT IS ECONOMIC ACTIVITY?

Economic activity is a collection of activities that are related to production, distribution, exchange and consumption of goods and services. The primary aim of economic activity is the production of goods and services with the view to make them available to the consumer (Kalyan-city.blogspot.com>2011/03).

So if financial markets finance economic activity and if economic activity is concerned with making available a given quantity of goods and services to consumers, then the financial market plays a huge role in inflationary influences since economic goods are not given for free to the market but given at a price. Therefore, if the price of these goods keeps on rising, then there is inflation.

Financial markets provide economic resources that drive economic activity. Economic resources are sometimes referred to as factors of production and are supplied at a price. This problem is solved by the financial system as it ensures there are sufficient funds to finance economic activity. There are four major classifications o financial markets;

(i) **Money markets** - these are financial markets where short-term financial instruments are traded i.e. financial instruments that have a maturity of less than one year. Examples are treasury bills, commercial paper, bankers' acceptance, and certificates of deposit, among others. The participants are commercial banks, central government and companies that issue commercial paper. The money market instruments explained are:

- Treasury bills - issued by the central bank on behalf of the central government.
- Bankers' acceptance - this is issued by a company and the bank guarantees payment.
- Commercial paper - this is a short term borrowing between companies
- Certificate of deposit - this is a fixed deposit account or time deposit where you withdraw after a certain period with interest
- Bankers reserve fund - this is similar to commercial paper but it is between banks e.g. overnight or few days

(ii) **Capital markets** - these are financial markets where long-term financial instruments are traded. Examples of capital markets include:

- **Bond markets** - a bond is a long-term debt security issued by companies or the government. Bonds have fixed interest rates usually expressed as a percentage of the face value.
- **Mortgage markets** - a mortgage is a debt instrument secured by the collateral of specified real estate property, that the borrower is obliged to pay back with a pre-determined set of payments.
- **Stock markets** - these are markets where preferred and common stock, bond and derivatives are sold publicly.

(iii) **Primary markets** - is a financial market where new stocks and bonds are sold to the public for the first time. An initial public offer (IPO) is an example of transactions that take place in the primary financial market.

(iv) **Secondary markets** - these are markets in which previously issued securities are traded. The shares are first issued in the primary market and then in the secondary market, they can be sold by holders to other investors.

Financial markets both function as primary and secondary markets for debt and equity securities. The term primary market refers to the original sale of securities by governments and corporations. The secondary markets are those in which these securities are bought and sold after the original sale. The following must be noted:

- In the primary markets, the corporation is the seller and the transaction raises money for the corporation. Corporations engage in two types of primary market transactions i.e. public offerings and private placements
- In secondary markets, the owner of credit sells to another investor. It is therefore a means of transferring ownership of corporate securities.

There are many factors that affect the flow of financial instruments in the financial markets and these include:

- The ease with which credit can be obtained/granted
- Government restrictions on poorly designed investment/borrowing procedures
- Interest rate fluctuations
- The level of economic activity in a country
- The impact of foreign currency on investment and many others

It is these factors that affect the sustained increase in the average level of prices over a given period of time. We looked at three types of inflation and in order to do justice to our chosen subject, we need to take a journey that explains how the financial system/financial markets affect each type or classification of inflation i.e. demand pull inflation, cost push inflation and hyper-inflation. The following is how the financial market impacts the different classes of inflation:

(a) **Demand pull inflation**

Demand-pull inflation is caused by an excessive increase in aggregate demand within the national economy. The question is what causes aggregate demand to rise? The following are the possible answers to this question:

- An increase in the circulation of funds in the economy
- An increase in investment
- An increase in employment
- Improved standards of living
- Economic growth and many more

Having said that, the question is that does the financial system play a role in the existence of the factors listed above?

An increase in the circulation of money in the economy means that funds are not kept idle, it is a sign that people with funds (savers/investors) have not kept their funds out of the financial system (holding). They have entrusted their funds intro the financial system, either through a depository institution such as a bank or through other means such as investment in stock, corporate bonds, government issued securities, mortgages and many more.

An increase in investments results in a high level of economic activity in a country. Where there is a high level of economic activity, people and corporations raise a lot of money i.e. income increases and as income increases, there is a shift in a country's aggregate demand (increase in demand) as people would want to buy more because of the change in their income base. The increase in aggregate demand is what results in demand-pull inflation.

Increased investments results in an increase in the rate of employment of the factors of production. Because companies and other players in the financial system are able to access funds through corporate issues and other securities traded within the financial market, there is enough to invest in profitable products/projects/services and this results in high employment of the factors of production. Labour is one of the factors of production and when labour is rewarded well, the providers of labour earn a lot of income and this in return increases their demand for consumer goods and other goods. When the demand for these products grows excessively, inflation ensues, and this type of inflation is known as demand-pull inflation (the inflation caused by an increase in aggregate demand within a country.) In this respect the financial system/market plays a great role in combating the sustained increase in the average level of prices within a country.

Once there is an increase in the employment of factors of production resulting from increased investment which also results from increased speculation of funds within the financial system/markets, there will be an increase in factor incomes. People will have improved standards of living since they will have more income generated from extensive economic activity. With improved standards of living, people will have enough to spend on consumer goods and as demand for these consumer goods rises, there is a likelihood of shortages in the market as people may tend to stockpile goods in fear of future price rises. As shortages ensue, the level of prices will rise dramatically due to excessive increase in aggregate demand. This sustained increase in the level of prices caused by an excessive increase in aggregate demand is what is known as demand-pull inflation.

Economic growth results from high economic activity i.e. from the production of goods and services. This production of goods and services cannot take place if there are insufficient funds to finance them and this is where the financial system comes in i.e. to finance this economic activity. Economic growth is defined as the annual percentage increase in a country's Gross Domestic Product (GDP). This means the annual percentage increase in the value of goods and services produced by a national economy within one year. These growth results in the following benefits:

- Elimination of primary poverty
- Improved quality of life
- Rising employment
- Improved infrastructure

However, one of the drawbacks of economic growth is the promotion of inflation as a result of increased factor incomes resulting in high demand for consumer goods and hence demand-pull inflation takes over (ZICA manual-BUSINESS ECONOMICS-2011 EDITION)

(b) **Cost push inflation**

Cost-push inflation, which is caused by an increase in production costs, causes firms to raise prices to avoid losses. This mostly affects wages. However, the financial system/markets may have an impact on cost push inflation. If the cost of obtaining financial resources in the capital and money markets goes up, companies may decide to charge high mark-ups to ensure that they have enough operating profits to cover for increased finance costs resulting from increased costs of borrowing and increased costs of obtaining other sources of short and long term capital in the financial markets. Other manufacturers may decide to avoid paying these increased finance costs by restricting themselves to only using less costly sources of capital as it mostly appears such as common stock (note that this is not a cost free source of capital) in an attempt to avoid high interest payments that are rigid. This will limit the level of investment in production and less quantity will be produced at high cost and sold at inflated profit margins, resulting in cost-push inflation.

(c) **Hyper-inflation**

Hyperinflation is caused by an excessive growth in the money supply. Hyperinflation is an extremely high rate of inflation making the country's currency worthless and the same usually leads to the introduction of new money.

The question is how is it that the financial markets/financial system affect hyperinflation?

The financial markets/system include organisations such as the central bank (in Zambia called the Bank of Zambia) and this is the institution that regulates the flow of the local currency in and out of the economy as well as limits on how much foreign currency can be circulated in the national economy.

If there is too much money in the economy, the government through the central bank may decide to issue high value corporate bonds and as citizens/investors invest in these bonds, money is taken out of circulation. This is what is known is contractionary monetary policy.

If there is less money in circulation within the economy, the government through the central bank may decide to buy back issued government bonds and this will result into more funds flowing back into the economy. This is what is known as expansionary monetary policy.

If the government circulates too much money in the economy through over-purchasing of government bonds from investors through the expansionary monetary policy, there will be an excessive supply in the economy. When this happens, the country currency's purchasing power drops and the price of goods and services hikes. This is what is known as hyper-inflation.

The financial market is a collection of institutions and procedures for bringing buyers and sellers of financial instruments together. In other words, these are markets in which financial instruments are traded. These financial markets/systems have a great impact on inflation in a national economy as outlined above. ■

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BLUE ECONOMY

Experts call for sustainable exploitation

By Ruth Waruhiu

BY EFFICIENT management, the sustainable exploitation of resources in oceans, seas, lakes and rivers—also known as the blue economy—could contribute up to $1.5 trillion to the global economy.

That was the consensus of thousands of experts, government officials, environmental activists, policy makers and academics who converged in Nairobi, Kenya, last November for the Sustainable Blue Economy Conference.

With the theme "Blue Economy and the 2030 Agenda for Sustainable Development", the conference, convened and hosted by Kenya, with Canada and Japan as cohosts, looked at new technologies and innovation for oceans, seas, lakes and rivers as well as challenges, potential opportunities, priorities and partnerships.

Africa has 38 coastal and island states and a coastline of over 47,000 km, and hence presents an enormous opportunity for the continent to develop the sectors typically associated with the blue economy, says Cyrus Rustomjee, a blue economy expert and a senior fellow at the Centre for International Governance Innovation.

"Expanding fisheries, aquaculture, tourism, transportation and maritime and inland ports can help to reduce African poverty and enhance food and energy security, employment, economic growth and exports, ocean health and sustainable use of ocean resources," says Dr Rustomjee.

He notes that more than 12 million people are employed in fisheries alone, the largest of the African blue economy sectors, providing food security and nutrition for over 200 million Africans and generating value added estimated at more than $24 billion, or 1.26% of the GDP of all African countries.

Of concern at the Nairobi conference was the current wanton and large-scale exploitation of the world's waters, especially in developing countries.

President Uhuru Kenyatta of Kenya expressed concern over the "massive pollution of our water bodies; the evident overexploitation of water resources and their related biodiversities, as well as the specific challenge of insecurity, more so in the high seas."

Pre-conference advocacy by Kenya, Canada and Japan, the main organisers of the event, focused on many issues central to Africa's development, including food security for vulnerable groups and communities, malnutrition, sustainable food production and gender equality in blue economy industries.

Kenya's foreign affairs cabinet secretary, Monica Juma, said the discussions were "dedicated to realizing the untapped potential found in our oceans, seas, lakes and rivers; and focused on integrating economic development, social inclusion and sustainability which promotes a blue economy that is prosperous, inclusive and sustainable."

While emphasizing the importance of unlocking the full productive potential of Africa's waters, Ms. Juma said she especially hoped to see increased participation of women and youth in all areas of the blue economy.

A recurring theme at the conference was that the blue economy could boost a country's economic growth and environmental protection and, by extension, help achieve the Sustainable Development Goals of the 2030 Agenda.

According to Macharia Kamau, the principal secretary in Kenya's Ministry of Foreign Affairs, overall the conference presented "immense opportunities for the growth of our economy, especially sectors such as fisheries, tourism, maritime transport, offshore mining, among others, in a way that the land economy has failed to do." ***- Africa Renewal***

EVOLUTION OF CHEQUE PROCESSING IN ZAMBIA

Cheque clearing denotes all activities from the time a financial commitment is made for a transaction until it is settled. Clearing of payments is necessary to turn the promise of payment (for example, in the form of a cheque or electronic payment request) into actual movement of money from one bank to another.

A cheque is a negotiable instrument instructing a financial institution to pay a specific amount of a specific currency from a specified transactional account held in the drawer's name with that institution. Both the drawer and payee may be natural persons or legal entities.

During the era between 1980 and 1999, processing of cheques in Zambia from end to end was 100 percent manual. As a result, customers who deposited cheques with their banks would only receive value after 7 working days for local cheques and 21 days for upcountry cheques due to the lengthy manual process of verification and confirmation that was in place then.

Cheques drawn on other banks that were deposited at various branches of a particular bank were physically dispatched to the bank's head office for consolidation to facilitate sorting in bank order, listing on schedules and totaling. The consolidated bank-wise totals were then manually recorded on the interbank clearing statement for a particular session, in triplicate, which was then checked and signed by the Head of Section before the Bank representative set off for the Bank of Zambia (BoZ) where clearing sessions were held from Monday to Friday between 09.00 and 10.00 hours. Cheques were then packed in individual envelopes with the receiving bank name and amount clearly labelled on the face of the envelope.

Upon arrival at the Bank of Zambia, each bank representative handed over the top copy of the interbank statement to the Clearing House Supervisor from Bank of Zambia who was presiding over the clearing session and thereafter, distribute envelopes to fellow bank representatives of other banks for updating the second and third copies of their interbank statements. Each bank representative would then determine the net settlement figure, which they would then compare with the system-generated figure highlighted on the statement from Bank of Zambia.

Upon verification and confirmation that all the instruments received from each bank were balancing, Back Office Tellers proceeded to post individual cheque amounts to the drawers' accounts.

As a way of streamlining the clearing process, manual clearing centres were set up in areas where there were three or more banks operating. Banks in these areas would meet daily at one of the designated banks to exchange cheques in sealed envelopes. The bank representatives would record the total value of cheques delivered per bank against receipts from banks and thereafter net off to establish which bank owed the other. All banks would then remit the net clearing figures to their head offices who would either claim or pay the other banks using Clearance Vouchers.

In Lusaka and Ndola, banks were exchanging their instruments from the BoZ offices with the central bank performing the role of both participant and supervisor. At the end of the clearing session, the Bank of Zambia would post the net settlement figures to each commercial bank's current account.

PROCESSING CHEQUES FOR SAME DAY VALUE

Customers who wished to fast track clearing of cheques would apply with the Collecting Bank who would deliver such cheques to the Paying Banks by 11.00 hours daily for which a processing fee was charged. Value for such cheques processed before cut off would be given the same day.

CHALLENGES

1. Poor quality of cheque paper with basic security features. Most banks in this era made huge losses arising from fraud.
2. Some Bank representatives who were delivering and collecting cheques to and from Bank of Zambia were substituting valid cheques with fraudulent on in collusion with fraudsters from other banks resulting in loss of colossal sums of money.
3. A lot of shop owners in the Kamwala trading area were defrauded of their merchandise by customers who would present photocopied cheques in exchange for goods as the traders were desperate for business.
4. Businessmen located in the remote areas would issue cheques and collect goods from shops, which they would sell immediately while the shop owner would be waiting for the cheque to clear in 21 days. Because of this development, most of these clever businesspersons made a lot of money due to this practice of unfair trading.
5. The Physical Inter-bank Clearing stream was prone to errors due to manual inputting of amounts by Tellers and occasionally, fraudulent transactions would go through to customers' accounts without detection due to collusion.
6. The Bank of Zambia had not implemented Item Value Limits at that time and as a result, customers would issue cheques of any amount and the same would be processed successfully. As a precaution, banks would engage one another to confirm the validity of the cheque before paying.
7. Delayed payment of settlement entries resulting in delays to give value to customers.

STREAMLINING OF THE CHEQUE CLEARING PROCESS

1. Bank of Zambia instituted a study of the transport sector and based on their findings, shortened the clearing cycle as depicted in Fig.1.
2. Formation of the Bankers Association of Zambia to level the playing field among banks and to provide guidelines to ensure that banks did not engage in unfair practices.
3. Formation of the MICR and Cheque Standards Committee to set cheque paper standards, onboard cheque printers and provide guidelines with the view of curbing cheque frauds.
4. Formulation of Zambia Electronic Clearing House Rules to guide all participants in the industry.
5. Setting up of Item Value Limits for cheques of K100, 000.00.
6. Enactment of the National Payments Systems Act No.1 of 2007 to provide guidance to banks and customers on proper handling cheques.

Figure 1

ESTABLISHMENT OF THE ZAMBIA ELECTRONIC CLEARING HOUSE

In order to improve cheque processing in Zambia and to be on the same page with banks in other countries, the Bankers Association of Zambia and the Bank of Zambia set up the Zambia Electronic Clearing House (ZECH) in 1999. The headquarters of ZECH were located at COMESA in Lusaka while the Kitwe office was based at Standard Chartered Bank Zambia Way.

The establishment of ZECH led to the shortening of the clearing period from 4 days for cheques drawn on banks within the same town to 3 days while clearing of cheques drawn on banks within the remotest part of Zambia, which was taking 21 days, was reduced to 10 days. The delay of granting value to customers was because the physical cheque instruments had to be couriered from the Collecting Bank to the Paying Bank who needed to scrutinise the physical instruments and thereafter, make a Pay or No Pay decision. In a situation where a No Pay decision was made, the Paying Bank would send a notification to the Collecting Bank advising them that the instrument that was presented for clearing had been unpaid. Such notification is called a YUFIG message, which simply means "Your Unpaid Figure" provides details of each cheque that has been unpaid and the reason it has been unpaid.

Banks during this era invested in cheque encoding machines that were used to process and balance batches that were submitted by branches to a centralized processing center. Clearing House would collapse and as a result the sealed bags containing cheques for Lusaka banks would be couriered to Kitwe or Lusaka for processing. Bank representatives based on the Copperbelt or Lusaka would process those clearances on behalf of their counterparts and vice versa.

QUALITY OF THE CHEQUE PAPER

1. The quality of paper used to print cheque books in this era was very good with enhanced security features, which made the reproduction of the cheque books by fraudsters impossible.

2. When fraudsters tried to erase some MICR details and type using a dot matrix printer, such instruments would not go through the encoding machine during processing.

CHEQUE TRUNCATION SYSTEM

	AREA	Value given at start of day:	ELECTRONIC NOTICE (by 12.00 hours) on day:
(i)	Between branches in the major centres in the same zone e.g. Lusaka, Copperbelt, Chipata, Choma, Kasama, and Kabwe.	3	2
(ii)	Between Lusaka and major centers on the Copperbelt and Southern zones e.g. Lusaka and Chililabombwe, Lusaka and Kalulushi, Lusaka and Mazabuka, Lusaka and Choma, Lusaka and Livingstone.	4	3
(iii)	Between branches in all Provincial Centres in different zones e.g. between Kasama and Chipata, Kabwe and Chipata, Ndola and Mongu, Solwezi (except Lusaka and major centers on the Copperbelt and in Southern zone).	6	5
(iv)	Between non-Lusaka branches and branches in other zones e.g. Mufulira and Lundazi, Livingstone and Isoka, Chinsali and Namwala.	10	9

FIGURE 1

During processing, the Back Office Teller would input the control total followed by amounts for the individual cheques until the batch balances. The Teller would then pick the next batch, process, and balance until all cheques are processed. An output file would then be generated and transmitted to the Zambia Electronic Clearing House via dial-up using a modem.

CHALLENGES DURING THIS ERA

1. At times, Tellers were inputting wrong amounts, thereby creating differences in the Presenting Bank's books as well as the books of the Receiving Bank.

2. Connectivity to ZECH via dial-up was a big challenge for banks, especially during the rainy season. Banks would transmit the file to ZECH via floppy or flash discs.

3. Batches of cheques were getting lost in transit to the central processing centre, thereby inconveniencing the payees who would be required to contact the drawers with the view of obtaining replacement cheques.

4. At times, the entire clearing system at either Lusaka Clearing House or Kitwe

On 1 February 2013, the Bankers Association of Zambia and Bank of Zambia implemented the Cheque Truncation System with the view of shortening the clearing cycle to T+1, tightening controls through automation and reducing costs by eliminating physical movement of cheques from point A to point B as was the case prior to implementation of CTS.

Bank Tellers scan cheques using special scanners that capture individual cheque images and MICR codeline details, which are then transmitted, to the Paying Banks to facilitate processing and thus, make Pay or No Pay decisions within the stipulated clearing period.

Value for cheques deposited on day 1 by 12:00 hours is given to customers on day 2 by 12.00 hours automatically while the value for cheques deposited after 12.00 hours on day 2 is given at 12.00 hours on day 3.

Benefits to banks

1. Efficient processing due to automation.
2. Elimination of postage costs.
3. Enhanced security features.
4. Reduced errors.
5. Timely reconciliations.

Benefits to customers

1. Same value date across all towns.
2. Efficient cash flow management due to the shortened processing cycle.

Challenges

All banks had serious reconciliation challenges when cheque truncation system was implemented due to system challenges, which resulted in almost all banks in the banking industry writing off huge amounts to their income statements due to unreconciled debit balances.

CONTROL MEASURES IMPLEMENTED BY THE BANK OF ZAMBIA

1. Reduced the item value limit from K100, 000.00 to K25, 000.00 for cheques.
2. Increased the item value limit from K100, 000.00 to K500, 000.00 for direct credits.
3. Increased the item value limit from K50, 000.00 to K75, 000.00 for direct debits.
4. Instructed banks to automate the process of giving value to customers on day 2 at 12.00 hours.
5. Introduced service standards in Government Gazette number 6693 of 2018.

CONCLUSION

Manual clearing

- Was very slow
- Was prone to errors due to manual intervention
- Had high incidents of fraud
- Led to poor customer experience
- High postage costs

Physical Inter-bank clearing

- Was slow and prone to errors///
- Had reduced incidents of fraud
- Better customer experience
- High postage costs

Cheque Truncation System

- Is very efficient, secure with enhanced cheque security features.
- Has a short processing cycle with standardized value dates.
- Has excellent customer experience.
- Eliminated cheque related frauds. ■

REFERENCES:

1. Revised ZECH Rules - Dec 2001
2. Revised ZECH Rules – 15 January 2014-Final-signed
3. National Payments Systems Act No,1 of 2017
4. Government Gazette number 6693 of 2018

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9 FACTORS THAT IMPEDE INNOVATION IN THE WORKFORCE

ALTHOUGH over the years various models have been postulated of alternate theories of running organisations, the factory system formulated during the industrial revolution in the nineteenth century where employees were regarded as mere cogs in a closely controlled setup still plague the modern organisation. The emergence of phenomena such as globalisation, technological advance, commoditisation and shortening product lifecycles have strongly challenged this organisational theory. In order to survive, organisations are constantly being asked to innovate in order to meet the changing customer and market needs by being agile and by enhancing collaboration within their workforce. However, this same control environment that is supposed to bring organisation efficiency and control has also created an environment that hinders the much-needed innovation.

1. ENVIRONMENT NOT CONDUCIVE FOR INNOVATION

An environment where ideas can thrive is cardinal for an organisation seeking to promote innovation within its ranks. It requires conditions that allow everybody to freely express ideas and a platform where these ideas can flourish by ensuring that innovators have resources, structures, and processes that support them. It requires the removal of typical obstacles such as micro-management, risk aversion, restrictive directives and excessive bureaucracy.

2. ORGANISATION MINDSET TOWARDS INNOVATION

While organisations are beginning to realise the importance of being innovative, very few are willing to ask questions of the status quo as people are firmly locked into the fixed mindset where performance in traditional jobs is measured by a set of predetermined objectives. Any ideas that ask questions of current systems or suggest better ways of meeting objectives and customer needs are frowned upon if there is an indication that they carry some suggestion of risk or seem overly ambitious. Mindset can be a major hindrance to innovation because it affects all areas, including talent hiring, project appraisals, resource allocation, decisions and employee performance management.

3. RESTRICTIVE DIRECTIVES AND JOB DESCRIPTIONS

Most managers are unwilling to allow anything to happen in their organisation unless it originates from them or has their signature on it. The workforce is given rigid job descriptions which results in a workforce too scared to propose ideas that run contrary to the corporate advocated plans, budgets and programmes. Most frontline staff is littered with innovative talent, which understands exactly what customers really need and have a myriad of ideas of how customers and markets could be better served. Not allowing the frontline workforce to express their ideas simply because of their status or because they contradict the leaders' own biases is bound to eliminate bottom-up innovation which in most cases originates from customers' direct concerns.

4. CONCENTRATING ON RADICAL INNOVATIONS AT INCREMENTAL INNOVATION'S EXPENSE

Most established organisations tend to concentrate innovative efforts on radical changes to their product or offering. Most do not realise that incremental innovation which normally involves relatively marginal upgrades or enhancements to existing products, processes or services tend to have a more immediate impact on an organisation's bottom-line. These iterative experimental learning processes create new value for customers and have in a number of cases helped organisations survive, keep their market share, and in some cases gone on to disrupt whole industries. Incremental innovation tends to be relatively more successful and is more accessible to the entire workforce.

5. CULTURE DOES NOT SUPPORT INNOVATION

Any business intending to develop an innovative culture should treat its innovation core values and culture with the same seriousness as it does its overall strategy. For innovation

to take root, the culture has to morph into one that encourages autonomy and allows the workforce to experiment and take calculated risks both with their product, skills and processes. A sound innovative culture places a high value on the lessons learnt both from these experiments' successes and failures.

6. POOR COMMUNICATION TO WORKFORCE

Maintaining an innovative organisation culture cannot succeed without a sound communication framework which encompasses informing the workforce the shared purpose and what is going on in the organisation's operations and environment, both internally and externally. An informed workforce is better placed at generating innovative ideas that provide solutions than one from whom the organisation operational performance metrics are kept (mostly because of exaggerated confidentiality concerns). If performance gaps exist in the organisation's customer offering, the workforce can only come up with solutions if they are aware of these gaps.

Another innovation hindrance from poor communication usually comes from directives so restrictive that the workforce gets no room to make autonomous innovative efforts.

7. LEADERSHIP NOT LISTENING

A slew of rigid procedures and directives cascaded down from centrally derived management decisions and business plans from which the workforce can never depart results in the organisation losing flexibility and agility which is a key ingredient of innovation. A rigid leadership style which treats its directives as gospel without listening to their employees' alternate ideas will summarily kill off any possibility of innovation. The leadership needs to recognise that ideas can come from anywhere and ensure that the innovation mindset is enshrined in the entire workforce and not restricted to just a few employees or senior managers by establishing processes and structure through which employee's views can be heard.

8. RISK ABHORRENCE – FAILURE ATTRACTS REPRISAL

Any organisation that wants to embrace innovation should appreciate that it inevitably comes with some element of risk. Whilst pursuing innovation, employees will invariably need to explore inventive ways of trying to solve customers' problems. Inevitably, not all of them will work; in fact, the more radical the ideas the higher the risk they carry. Where the workforce faces the threat of reprisal for any failed project, all attempts at innovation will be completely killed off. A company should not punish employees for taking risks on novel ideas in their innovation programme but should instead celebrate them as a signal of employees trying new ideas and use them as learning experiences.

9. REWARD SYSTEMS DO NOT RECOGNISE INNOVATION ACTIVITIES

Most organisations' performance systems tend to be unfortunately restricted to performance objectives cascaded down from corporate management. This means that reward systems are also tied to the achievement of those objectives, which in most cases tend to be too myopic for an organisation desiring to adopt an innovative culture. Performance benchmarks should be wide enough to capture innovative activities and also clever enough to recognise that innovation might mean overspending on budgets, straying from set objectives or carrying out projects, which might even fail. ■

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UNDERSTANDING THE INTERNAL AUDIT FUNCTION

About Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal auditing can be looked at as a catalyst for improving an organisation's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice.

Scope

The scope of internal auditing within an organisation is broad and may involve topics such as an organisation's governance, risk management and management controls over: efficiency/effectiveness of operations (including safeguarding of assets), the reliability of financial and management reporting, and compliance with laws and regulations. Internal auditing may also involve conducting proactive fraud audits to identify potentially fraudulent acts; participating in fraud investigations under the direction of fraud investigation professionals, and conducting post investigation fraud audits to identify control breakdowns and establish financial loss.

The scope does not need to be limited to providing the audit committee with assurance over the controls implemented by management and can head towards a 'consultancy' role, providing strategic support to the audit committee and company. Establishing the 'right' scope for the internal audit function is not a 'one size fits all' exercise.

Difference between internal and external audit

Comparison Chart (Table 1)

Types of internal audit

Internal audits are conducted for different reasons and with varying objectives and with each type of risk exposure, an organisation would need to conduct a particular type of internal audit. Some audits are required by regulation or policy, while others are requested by management to help improve processes or identify internal control weaknesses.

Here are some types of internal audit:

Operational Audit

An operational audit evaluates performance of a particular function or department to assess its efficiency and effectiveness. Financial data may be used, but the primary sources of evidence are the operational policies and achievements related to organisational objectives. Internal controls and efficiencies may be evaluated during this type of audit.

Compliance Audit

A compliance audit evaluates an area's adherence to established laws, standards, regulations, policies, and/or procedures. Compliance audits are done because of a policy or statutory requirement. While the audit is done for regulatory reasons, the objectives are still to ensure adequate control over an important internal process.

Financial Audit

A financial audit is a historically oriented, independent evaluation performed for the purpose of attesting to the fairness, accuracy, and reliability of financial data. The central objective is to ensure that the financial activity of the department, unit or area is completely and accurately reflected in the appropriate financial reports.

Follow up Audit

These are audits conducted approximately six months after an internal or external audit report has been issued. They are designed to evaluate corrective action that has been taken on the audit issues reported in the original report. The purpose of a follow-up audit is to revisit a past audit's recommendations and management's action plans to determine if corrective actions were taken and are working, or if situations have changed to warrant different actions.

Investigative Audit

This is an audit that takes place as a result of a report of unusual or suspicious activity on the part of an individual or a department. It is usually focused on specific aspects of the work of a department or individual. Investigations are conducted to determine the extent of loss, assess weaknesses in controls, and make recommendations for corrective actions.

IT Audit

An Information Technology (IT) audit evaluates controls related to the institution's automated information processing systems. The information technology audit function develops audit programmes to assess, evaluate, and make recommendations to management regarding the adequacy of internal controls and security inherent in an organisation's information systems, and the effectiveness of the associated risk management. The goal is to ascertain that IT systems are safeguarding assets, maintaining data integrity, and efficiently operating to achieve business objectives.

Management Audit

Also called performance audits are internal

BASIS FOR COMPARISON	INTERNAL AUDIT	EXTERNAL AUDIT
Meaning	Internal Audit refers to an ongoing audit function performed within an organisation by a separate internal auditing department.	External Audit is an audit function performed by an independent body which is not a part of the organisation.
Objective	To review the routine activities and provide suggestions for improvement	To analyse and verify the financial statement of the company
Conducted by	Employees or outsourced	Third Party
Auditor is appointed by	Management	Members/Board
Users of Report	Management	Stakeholders – Lenders, Suppliers, Customers, Shareholders, regulatory authorities etc
Opinion	Opinion is provided on the effectiveness of the operational activities of the organisation	Opinion is provided on the truthfulness and fairness of the financial statement of the company
Scope	Decided by the management of the entity	Decided by the statute
Obligation	No, it is voluntary	Voluntary for smaller firms & compulsory for PIEs, listed and multinational companies
Period	Continuous Process	Once in a year
Checks	Operational Efficiency	Accuracy and Validity of Financial Statement

TABLE 1

consulting projects. Because an internal audit is an activity independent of management, it is often an excellent resource to provide independent and objective insight on the efficiency of business processes. Management can request internal auditors to review a business process, organisation, or strategy; and the auditors do not have to worry about backlash from management. A common management audit is a review of organisational structure, such as having internal audit look at how administrative work is divided among divisions and if there are opportunities to be more efficient.

Other types of internal audits would include the integrated audit, which is a combination of the IT Audit and the Operational Audit.

Understanding The Internal Audit Function

Importance of internal audit to an organisation

All organisations face risks. Internal audit is important as it provides independent assurance that an organisation's risk management, governance and internal control processes are appropriate and are operating effectively. Whilst external auditors look at the financial risks and going concern of the organisation, internal audit functions consider wider issues such as risks to the organisation's reputation and culture, cyber security, financial crime and the management of supply chain and other third parties.

Effective internal audit can pay for itself by addressing operational, process or financial issues. They have a professional duty to provide an unbiased and objective view, independent from operations, up to the board of directors (or the board of trustees) via the audit committee.

An internal auditor's knowledge of the management of risk can also enable him or her to act as an internal consultant providing advice and acting as a facilitator for improvement in an organisation's practices. For example, if a manager is concerned about a major new project which is being undertaken, an internal auditor can help to ensure that the project risks are clearly identified and assessed with appropriate action taken in a timely way to manage them.

Insourcing or Outsourcing or shared services (Co-Sourcing)

When considering the use of outsourcing, insourcing and shared services (Co-sourcing), organisations must consider the appropriateness, cost-effectiveness and availability of such services. In most cases it is most beneficial for small firms to outsource but medium and large organisations have an option to choose what best suits them.

Insourcing is the practice of using an organisation's own personnel or other resources to accomplish a task.

Outsourcing is the practice of contracting to an external audit firm the entire internal audit function.

Shared service (Co-Sourcing) is when the internal audit function is run by both the in-house internal audit department but partly outsourced i.e. having the outsourced firm report to the Chief Audit Executive who in turn report to the audit committee.

Insourcing	Outsourcing	Shared services (Co-Sourcing)
1. Better Monitoring and managing of the worker force 2. There is a unique opportunity for staff to learn and grow/Helps in building a team of skilled people 3. Readily available internal knowledge 4. Communication is Better 5. There are no work culture clashes 6. There is more solidarity and corporation 7. Increased perceptibility over the procedures 8. Higher control of information and functions	1. Access to valuable expertise 2. Flexibility of cost 3. Independent viewpoint that could see things that employees do not i. brings third-party assurance/review ii. perform work in various locations at the same time iii. Grants you the ability to focus on core business. iv. Determination and risk management v. Greater flexibility in resource allocation	1. Increased objectivity and independence 2. Development of a state wide risk assessment 3. Identification of patterns of risks across multiple agencies 4. Greater flexibility in scheduling audits 5. Better ability to match auditor expertise and assignments 6. Better ability to establish specialized audit teams such as information technology teams

TABLE 2

Advantages of insourcing, Outsourcing and Shared Services (Co-Sourcing) (Table 2)

Disadvantages of insourcing, Outsourcing and Shared Services (Table 3)

Making Internal audit work

For Internal Audit function to work, there is need to make sure that the resources it has are sufficient to meet the objectives and expectations of the audit committee/board. This requires careful planning and a realistic view of the budget and skills that the audit function has. The key requisite is to find qualified and experienced staff that understands the risk surrounding the organisation and the industry as a whole. This will involve ensuring that;

the right development practices and the right mix of people are in place,

staff is equipped with the right tools to do the job,

areas of duplication are minimised in the work that internal audit does, as well as other assurance providers to the business,

they learn from the best practices being used by external or other assurance providers, such as external consultants,

it checks its own performance as well as the departments it audits, and

The cost of implementing does not out-weigh the benefits obtained.

Conclusion

Internal Audit and External Audit are not opposed to each other. Instead, they complement each other. In a changing environment, organisations must critically consider moving away from the routine of only having External Audits year in year out but must equally have internal audits which must be effective and value adding to shape and prepare them for the future. Effective internal audit functions can help organisations to reduce and save on the cost of external audits because External Auditors may use the work of the internal auditor if he thinks fit, but it does not reduce the responsibility of the external auditor.

Internal Audit also acts as a check on the activities of the business and assists by advising on various matters to gain operational efficiency. ■

ABOUT THE AUTHOR

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Insourcing	Outsourcing	Shared services (Co-Sourcing)
1. Finding top talent can be hard/can take time 2. It may be more expensive at implementation 3. There is more stress involved in skilling up your employees 4. Dedicated equipment may have limited uses 5. Problems may occur with the supply chain integration	1. lack of internal knowledge 2. Management control loss 3. Diverse cultural methods of running a business 4. Poor communication and deliverables as the outsourced firm will have other clients	1. Difficulty in melding various cultures 2. Organisations lose their internal audit units 3. Management may be less likely to request internal audit services 4. Staff may be less likely to develop expertise in a specific area or establish an on-going working relationship with management

TABLE 3

MEET OSMAN BANDA

ZICA 2018 REPRESENTATIVE AT THE ONE YOUNG WORLD 2018 SUMMIT, THE HAGUE NETHERLANDS

Chartered Accountants Worldwide Delegates at the world Forum Centre after registration on 17th October 2018

OSMAN Banda is one of the promising young Chartered Accountants and among the first CA Zambia graduates for December 2017 in Zambia. He is the Regional Accountant for the Road Development Agency on the Copperbelt Province and an Associate of the Zambia Institute of Chartered Accountants.

Osman is the last born in a family of six. He was born on 25th March 1983 and grew up in Lundazi where his late father, Mr Shadreck Banda, who together with his mother, Mrs Clorida Shaba Banda, spent most of their life as peasant farmers. He has four brothers and one sister. His eldest brother passed on in 2007. He lost his father when he was in grade ten.

"I'm happily married to Nelly Mwale, the love of my life and my best friend. We got married in 2006 and God blessed us with three children. The firstborn, Ruth, will be 12 years on 15th May 2019 and the second born twins, Taonga and Timothy, will have their 9th birthday on October 24th 2019," he explains.

Osman started school at the age of eight and attended grade 1 to 7 at Eluhangen Primary School in Lundazi.

Despite being selected to go to Chizongwe Technical Secondary School in Chipata after graduating as best student at grade nine (9) 1999 examinations at Lundazi Boarding High School in the Eastern Province, there were no funds to enable him go to Chizongwe Technical Secondary School. Instead, Osman completed his secondary education at Lundazi Boarding High School in 2002 through the help of the Government's Social Welfare department.

Fortunately, his thirst for knowledge did not come to an end when he was at school. Among the subjects he pursued at high school, Mathematics, Pure Sciences and Principles of Accounts were his favourites. This passion helped him gain profound knowledge in these areas to become a Chartered Accountant such that in 2003, he decided to move to Lusaka to joined his brother, who used to run a small printing business. It was at this point that he started saving from whatever income he came across from the printing business in pursuit of his dreams.

Osman recalls studying the National Accounting Technician (NATech) in 2004 at Evelyn Hone College where he attended classes only in the first level and later pursued the last level on self-study due to lack of funds for tuition fees.

After obtaining his first accounting qualification, NATech, in 2007, Osman worked in the private sector as an Accountant with Location Challenge Limited, a filming and advertising company which had clients at the time such as Aljazeera, BBC, and Sky News for one year.

Whilst pursing his ZICA Professional accountancy studies later in 2008, he joined the Central Bank of Zambia as Currency Note Examiner.

He explains that being married, studying and working at the same time was quite challenging. Wanting to explore new challenges in his accountancy career, Osman left Bank of Zambia in 2011 to join the Road Development Agency where he is currently Regional Accountant for the Copperbelt Province and later graduated with ZiCA Professional qualification in 2012. Determined to succeed, Osman went further to pursue a Bachelor's Degree Honours in Finance and Accounting at the University of Lusaka and graduated in 2016. Wanting to always stand out, he became one the first graduates of the Chartered Accountant Zambia (CA Zambia) in 2017 and won an award for overall best student in paper 3.7: Public Sector Audits and Assurance.

He describes receiving prizes from KPMG Zambia, Deloite & Touché Zambia and the National Audit Office (Office of the Auditor General) in October 2018 as a great honour.

Being very passionate about education, Osman is currently studying for his Master's Degree in Business Administration at The Copperbelt University of Zambia.

Osman says as a Christian and a Seventh Day Adventist, he always loves reading the bible. He says in his spare time, he likes watching movies, going out with family, watching and playing soccer and making new friends. Osman has always loved listening to local

Zambian music from artists such as T-Sean, Danny, Pompi and Mag44. He explains that his favourite dish is village chicken with Bondwe and Nshima.

Osman's accomplishments did not end there. In 2013 while at Road Development Agency, he received a Labour Day Award as the most hard-working accountant and was part of Zambia RDA Delegation that attended the 2013 Kaizen conference in Taipei, Taiwan.

He says it was a great honour for him to interact with people coming from different cultures, especially the Japanese culture, where Total Quality Management through continuous improvement is a very important concept practiced in the automobile industry.

He says he believes in this concept when performing his daily tasks either at work or home.

In 2016, his hard work paid off and he was promoted to the position of Regional Accountant, a position that he currently holds. He says he appreciates the skills and knowledge that he has gained through interacting and learning from civil engineers in the construction and maintenance of roads and bridges in Zambia at Road Development Agency.

"I'm most inspired by people like the current ZiCA Council President, Mr Jason S. Kazilimani Jr and current RDA Director & Chief Executive Officer, Eng. Elias Mwape," he narrates.

Being one of the first Chartered Accountant (CA) Zambia graduates in the country is among his achievements, professionally. He believes young people are the key drivers of change in today's world to alleviate poverty through being entrepreneurs rather than seek employment opportunities. He notes that Zambia, like many other developing countries of the world, is faced with high unemployment levels, especially among young people graduating from colleges and universities.

He says the Zambian government's recognition of the importance of youth participation in achieving economic growth and poverty reduction through the available empowerment schemes offered by institutions such as the Citizens Economic and Empowerment Commission (CEEC), for young people with brilliant business ideas to venture into entrepreneurship, is a great opportunity for young people to take responsibility and explore the available business opportunities to alleviate poverty in Zambia today.

Osman hopes to start his own firm to offer accountancy and tax consultancy services in Zambia. He believes he has mastered a wide scope of knowledge from the private, banking and public sectors in Zambia, coupled with his training as a Chartered Accountant (CA), which is not only limited to financial accounting but also exposed to Management Training, Business Law, Corporate Governance, Financial Management, ICT, Taxation, Auditing et cetera. These make him an ideal Chartered Accountant to succeed in entrepreneurship.

Chartered Accountants Worldwide Delegates at the world Forum Centre after registration on 17th October 2018

> "To become a successful entrepreneur in the world today, learn and associate yourself with great successful business leaders that inspire you. Create networks that add value and help you achieve your dreams," he advises.

Osman says the professional recognition that one receives upon completion of training as a Chartered Accountant (CA) Zambia and membership to ZiCA is a great benefit.

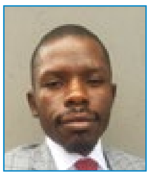
Osman was nominated to represent Zambia and ZiCA at the One Young World Summit in The Hague in Netherlands under Chartered Accountants Worldwide (CAW) in October 2018. One Young World (OYW) is an organisation founded in the United Kingdom that gathers young brilliant individuals from all over the world empowering them with skills and connections to bring change to the world.

He describes this as an honour and great achievement in his career. One thousand eight hundred young leaders from across 196 countries in the world attended the summit.

"I was so excited to attend the 2018 One Young World summit. Coming from the Road Development Agency and as a ZiCA delegate representing Zambia, I looked forward to interacting and creating social networks that added value to my career. Learning from fellow Chartered Accountants from across the globe and learned counsellors such as Professor Thuli Madonsela (Former public protector S.A.), Akon (Singer and Entrepreneur), Dr Dambisa Moyo (Zambian Global Economist and Author), Biz Stone (Co-Founder of Twitter), Paul Polman (CEO of Unilever), Muhammad Yunus (Founder, Grameen Bank Nobel Peace Prize Luareate) Bob Dudley (BP CEO), David Sproul (Senior Partner and Chief Executive of Deloitte North West Europe and Deloitte UK), American Actor & Activist, Terry Crews to name but a few and many other of the world's most influential business, political and humanitarian leaders helped me widen my knowledge base," he narrates.

Osman commends ZiCA for the introduction of Chartered Accountant (CA) Zambia, a Global Premier Accountancy qualification that is recognised worldwide. He says the ZiCA membership to Chartered Accountant Worldwide (CAW), IFAC and PAFA has made the CA Zambia popular like other global CA qualifications such as CA South Africa, CA India, CA Australia, CA New Zealand, CA Ireland, et cetera.

If asked to recommend a career, Osman says his advice to young people aspiring to be Chartered Accountants in Zambia would be to pursue the CA Zambia because it develops not just an Accountant but a Chartered Accountant who is destined to be the most versatile, creative and influential professional, equipped with a wider base of knowledge that is able to transform business in changing environments. ■



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EMBRACE EPR REGAULATIONS

With the Environmental Management Extended Producer Responsibility (EPR) regulations having come into force on 3rd August 2018, financial and environmental reporters will start to prepare seriously for the monitoring and reports that will follow its implementations.

Every business has an impact on the environment – and legal obligations that it must fulfil. The requirements are relatively simple for some businesses such as offices and shops. Businesses in sectors such manufacturing, commerce, and agriculture need to do more to help control the potential environmental impacts. Although there are no disclosure requirements relating to environmental issues under IFRSs, the cost of meeting environmental obligations may be significant. Therefore, meeting these obligations is not just a legal requirement. It is worthwhile in itself, and helps minimise the likelihood of any environmental problems, costs and damage to the business.

THE EPR REGULATIONS

The Government of the Republic of Zambia, through the Zambia Environmental Management Agency (ZEMA) under the Ministry of Water Development, Sanitation and Environmental Protection, announced to the nation and the general public that the Environmental Management Extended Producer Responsibility (EPR) Regulations, Statutory Instrument No. 65 of 2018 came into force on 3rd August 2018.

The Extended Producer Responsibility (EPR) is a form of product stewardship. Under the EPR, manufacturers and brand owners (known as producers) are responsible for the products they make or sell, and any associated packaging, when they become waste. The issuance of SI No. 65 of 2018, therefore, extends the financial and physical responsibility of the producer of a product or class of products to the post-consumer stage of the product or class of products. It places an obligation on producers, importers and distributors of products that have potential to pollute the environment to minimise waste through treatment, reclamation, re-use, recovery or recycling. This means that producers are compelled to help to pay for the costs of collecting, transporting, recycling and responsibly disposing of these products and materials at the end of their life. Thus EPR is focused on life cycle thinking, as it forces producers to remain accountable for their products past the factory gate – beyond the point of purchase and warranty period.

The EPR is therefore one of the tools that the Government will rely on to manage, in an environmentally sound manner, packaging materials such as plastics and their resultant waste. It will regulate the following types of packaging material: cartons; non-returnable glass bottles; non-returnable plastic bottles; plastic carrier bags and flat bags below 30 microns; beverage cans; waste oils; waste lubricant containers; and used lead acid batteries. Others include pesticides containers/packaging; chemicals containers/packaging; expired chemicals; used tyres; near end of life or end of life electrical and electronics; and electrical and electronic equipment.

The EPR Regulations will be enforced in line with the National Standard (ZS719) developed by the Zambia Bureau of Standards, which covers plastic carrier bags and flat bags, both domestically produced and imported, for use within Zambia.

The EPR ensures promotion of a cleaner environment as these carrier bags or flat bags should be made from degradable plastic film, which totally degrade within a period of 12-24 months. The regulations require a person or persons and businesses whose activities generate waste that has potential to pollute the environment to employ measures essential to minimise waste. It will thus promote re-use, recovery or recycling of waste.

EPR PROVISIONS

The EPR regulations make provision of the following:

- Registration of specific packaging material for products;
- Banning of plastic carrier bags and flat bags that are below 30 microns in thickness. The ban applies to manufacturing,

trade and commercial distribution of packaging material. However, the ban does not apply to plastic carrier bags or plastic flat bags that conform to the national standard (ZS719) on plastic carrier bags and plastic flat bags developed by the Zambia Bureau of Standards.

- Display a notice to customers regarding the ban on the manufacture, trade and commercial distribution of domestically produced and imported plastic carrier bags or flat bags that do not conform to the standard mentioned above; and
- Provision of alternative shopping bags to customers. Person(s) and businesses providing such bags reserve the right to do so at a fee.

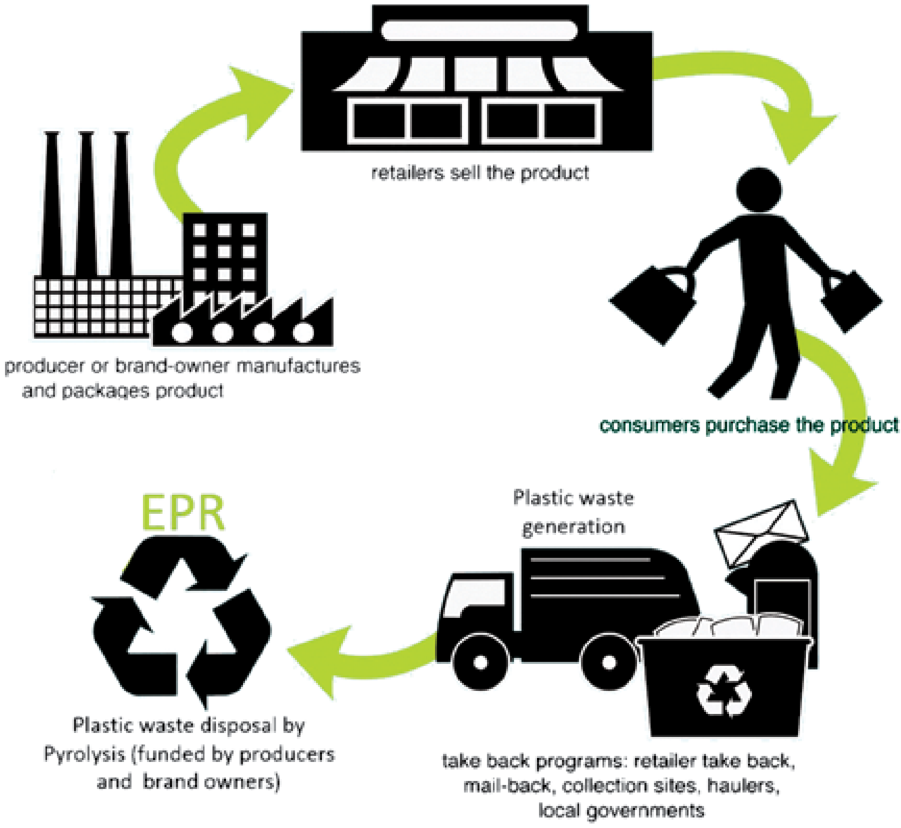
EPR REQUIREMENTS FOR CERTAIN PACKAGING MATERIALS

The Government through the Zambia Environmental Agency (ZEMA) may specify a product or class of products the producer responsibility measures that must be taken in respect of a specified product or class of products; and the category of persons required to take responsibility measures e.g. producer, distributer or trader. Financial arrangements of waste minimisation programme including financial contributions to an environmental fund that may be established to promote the recovery, re-use or re-cycling of waste may be determined.

Businesses may also be required to establish in-house institutional arrangements for the administration of a waste minimisation programme indicating the percentage of products required to be recovered at post-consumer stage.

THE RIGHT SKILLS

One of the cornerstones of the EPR is to ensure environmental sustainability. In order to achieve sustainability, businesses are expected to drive the agenda by ensuring that their operational activities do not impact negatively on the environment. Environmental consideration may therefore impact the work of accountants in many ways. For example, the management accountant may need to appraise investments through evaluation of environmental costs and benefits. The financial accountant may need to consider the effect on the statement of profit or loss and other comprehensive income of environmental costs such as site clean-up, waste disposal or waste recovery, for instance under the provisions of the EPR; and the auditor may need to conduct environmental audits on the entity to assess, for example, the level of compliance with the EPR regulations. With this impact on accounts' work, the question is whether the accountant has the right skills as professional accountants will be dealing with much broader information sets.



Professionals need to be prepared for the huge demand for environmental reporting. While regulations will flow from national laws such as the Environmental Management Act (EMA) and the Public Health Act (PHA), the most acute pressure to comply with the EPR might come from shareholders and other stakeholders (the public). The main driver for the impact on accounts work may not be what government want to bring out (in terms of environmental sustainability), but investors and other stakeholders want to know how the entity is doing regarding compliance with the national laws. Current issues in professional accountancy training are therefore becoming broader and inclusion of environmental issues and reporting and its importance should be better understood.

The environment has a significant influence on the structure and behaviour of organisations, but organisations also have some influence on their environment. Since organisations have some influence on the environment, it is expected that they should act in a way which shows social awareness and responsibility by embracing the EPR regulations. ■

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ZiCA Women making a donation to Theressa Hope Foundation of George Compound in Lusaka on the eve of the 2019 International Womens' Day

ZiCA CEO Mr Bonna Kashinga (middle) led a delegation to Botswana to inspect developments being undertaken by Time Projects in Botswana

Left to Right ZiCA CEO Bonna Kashinga, ZiCA President Jason Kazilimani Jr and CIMA Global President Steven Swientozielskyj at the Accountants Park

ZiCA President Mr Jason Kazilimani Jr (2nd Right); CIMA Global President Steven Swientozielskyj (3rd right); ZiCA CEO Mr Bonna Kashinga (3rd Left) with CIMA & ZiCA management at the Accountants Park

Left to right Mr. Heinrich Malan Director Times Projects Property (Zambia) Ltd and Mr. Bonna Kashinga, Secretary & CEO of ZiCA during the signing ceremony

A resident of Livingstone during ZiCA's Shungu Namutitima Project stakeholder meeting

Zambia hosted the 8th Accelerated Programme for Economic Integration (APEI) Senior Officials Meeting at the World Bank Office in Lusaka

Participants attending a Tax update workshop in Lusaka

ZiCA CEO Mr Kashinga shakes hands with AHAVA Consulting representative Mr Nkhatya at cheque presentation ceremony for the 2019 AGM sponsorship


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KNOCK! KNOCK!
RENTALS!
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COME IN....
RENT–K3,000=
÷30 DAYS=
K30 PER DAY
FEBRUARY MONTH
–28 DAYS
28 X K30
=2,840
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LAND LORD
RENT-K3,000=
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K30 PER DAY
FEBRUARY MONTH
–28 DAYS
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=2,840

BE THE BEST – SIMUMBA

THE sky is the limit. This is a common saying. But for Prince Musenga Simumba, the sky is not the limit. He says he has learnt not to limit himself to anything.

Mr Simumba is Assistant Audit Manager at BDO Ireland. An illustrous accountancy journey has catapulted him to his current position.

In this profile interview, Mr Simumba explains his journey.

"I will begin with a quote by Confucius and I quote 'The will to win, the desire to succeed, the urge to reach your potential. These are the keys that will unlock the door to personal excellence'."

Like any other kid out of secondary school, young Simumba was faced with the challenge of deciding what to study. But growing up, he always dreamt of becoming a medical doctor. This was the only career he wanted to get into. Therefore, he had no idea what accounting was all about.

"My father always advised that I consider studying accounting but I kept turning down his advice. For about a year, I kept on refusing going into college to pursue a career in accounting. As I was waiting to go into college, I got a job with Konkola Copper Mines (KCM). It was during this time that I finally decided on pursuing a career in accounting," he explains.

"I did some research on accounting courses offered in Zambia. I finally decided to do ZICA and that is how I enrolled and started ZICA in January 2010."

Mr Simumba senior, his father, gave me a target to finish go up to ZICA professional level in three years. Therefore, this meant that he had to finish the professional level in December 2012.

His start, Mr Simumba says, was not so good. He started out with four papers: Financial Accounting, Costing, Business Mathematics and Economics. However, the results he scored were a shocker: he only cleared the economics paper.

"There I was thinking about how I was going to finish up to professional level, having only cleared one subject. This was a wakeup call. I gave myself a challenge that I will work hard and finish professional level in December 2012. The following semester, I took five papers and cleared all of them. From then on, I was into accounting and loved every bit of it," he explains.

Going into his last semester (July to December 2012), Mr Simumba met his goal ashe had his last three professional papers to write, which he cleared, thanks to the preparation he got in his last three papers. He graduated as an accountant.

"Unfortunately, my biggest cheerleader, my dad, died end of October 2012, barely a month before my last exams. It was so heartbreaking knowing that someone who supported me

through will not be around to see me graduate. I travelled back home to Lusaka for his funeral and was out of school for about a month. I thought maybe it would be better to defer my exams but then again I decided to get back into school two weeks before the final exams to sit the exams," Mr Simuumba explains.

"Early December 2012, I sat the exams. Results came out; I had cleared two out of three. I was very excited because I had thought I would not pass all the three. June 2013, I wrote the last paper and cleared. I graduated as the best student in Advanced Management Accounting and as overall best student at college."

With an accountancy qualification in hand, Mr Simumba now had the ordous task of looking for a job. One day he decided to look up on the top ten audit firms in Zambia. From the list of firms that appeared in his search was BDO Zambia. It had advertised for audit trainees. As fate had Fortunately, BDO Zambia took him for a trainee position.

"I started my training in January 2014. I must say that working for BDO Zambia has been very rewarding. I have undergone both intensive and extensive training and coaching. This has really helped me in becoming the accountant and auditor that I am today," he heartily says. "I managed to rise from the position of audit trainee to audit supervisor. I have managed to work on various audit engagements, ranging from small to big entities. A special mention to the partners and managers at BDO Zambia who have mentored me on the jobs that we worked with. It required a lot of hard work and dedication, some crazy working hours during busy period but I loved every bit of it as it comes with the job. Auditing is a kind of job that requires total commitment."

Transition from BDO Zambia to BDO Ireland

Towards the end of 2017, Mr Simumba was selected by the partners at BDO Zambia to go on secondment to BDO Ireland.

"Another exciting moment for me. I would like to take this opportunity to say thank you to the three audit partners that I worked with over the years: Mr William P. Saunders (Senior Partner), Mr Douglas Ironside (Managing Partner), and Mr Godsave Nhekede (Audit Partner/Head of Audit)," he says.

Before leaving for BDO Ireland, Mr Simumba worked with BDO UK on an assignment in Liberia.

"It was quite an interesting experience travelling to Liberia to audit one of the big gold mines there. I had an opportunity to interact with my fellow accountants from other countries but most importantly learning about international business," Mr Simumba recalls.

I then joined BDO Ireland in April 2018. I left BDO Zambia as Audit Supervisor. At BDO Ireland, I managed to rise to the position of Assistant Manager in six months. It has been an exciting, challenging, eye-opening experience. I have been able to learn a lot about how the big corporations work and working with people with different cultures. In addition, being a minority is not easy but it is all part of the experience. I have been able to lead audits for some of the big technology companies, financial sector and insurance."

This experience, Mr Simumba says, has broadened his understanding of accounting and global business.

It is now an integrated work environment where one gets to work with people from different backgrounds.

"I must say it was a very wise decision to pursue accounting as a career. Would I encourage anyone to study ZICA/CA Zambia? Yes. It is very rewarding such that I made sure that my young brother enrolled for the same course," he says.

Advise to students

According to Mr Simumba, it does not matter how one starts or what background they ares from. He believes that all it is commitment and having the right attitude to learn from others.

"Dream big and ensure that you always do your best. The sky is not the limit. I have always believed in myself no matter what challenges I was facing. I have learnt not to limit myself to anything. Ambition is a good thing but do not be over ambitious to an extent that it gets in your way of learning," he concludes. "Learn as much as possible and always be aware that that in life there is a person who knows more than you do. As you are embarking on a career in accounting, have the right attitude, be committed and always endeavour to be the best. In the end, we only have one life to live, therefore, make the most out of it." ■

COMMON DISALLOWABLES

Rules and guidelines to computing Corporate Income Tax for Businesses in Zambia

CORPORATION tax in Zambia is governed by the Income Tax Act (CAP 323) of the Laws of Zambia. If the Act cannot deal with certain issues, we refer to practice notes as well as the regulations and other delegated legislation. If clarity is still not given, case law is used to settle on certain tax treatments. International Accounting Standards (IAS) 12 is also very helpful in dealing with current income tax and deferred taxes arising from various activities. If there is any dispute and consensus is not reached between the taxpayer and ZRA, the issues may be referred to the Tax Appeals Tribunal.

Common Tax Adjustments to Profit Before Tax in ascertaining the taxable profit and taxes due

GENERAL TAX RULES (SECTION 29 OF INCOME TAX ACT)

For tax purposes, most rules apply based on the principle that all revenue (**trading**) expenses must have been incurred "**wholly and exclusively**" for the **purposes** of the business to be allowable for tax purposes. This means that the costs must be incurred while actually performing the business activities or trying to attract more business. Capital expenditure is not allowed based on that reasoning. Wholly and exclusively means that the costs must be incurred while actually performing the business or trying to attract more business.

ENTERTAINMENT

These are specifically disallowed in the practice notes regardless of whether they are incurred for business purposes or not. The only exception to this rule is if the company works in the hospitality industry (hotels, restaurants, cinemas and theatres) as well as if these are incurred on a business trip. However, entertainment allowances are taxed under PAYE.

DEPRECIATION/ AMORTISATION

You use depreciation to decrease your tax burden since you are lowering your overall taxable income. But it is important to understand that depreciation does not affect your company's cash flow or its actual cash balance since it is a non-cash expense. Therefore, depreciation and amortisation and non-deductible expenses should be added back in the computation. However, ***section 33*** of the income tax act allows for a deduction in various capital allowances on capital expenditure at pre-determined rates depending on industry and the type of the asset.

NON-CASH BENEFITS (SECTION 44)

These are benefits given to employees not as cash and may not be converted into cash or cash equivalent i.e. the company pays rent for the employee or lets the employee stay in a company house.

HOUSING BENEFIT

This is normally two-fold. In the first scenario, an employee is given a housing allowance, this is subjected to PAYE i.e. the employee's bears the cost through Payroll (Lease agreement is between the employee and the landlord). The second scenario is where the employer gives the employee a house or pays rent on behalf of the employee as part of the conditions of the employee contracts (i.e. the lease agreement is between the employer and the landlord). The treatment is in the case of residential accommodation provided to an employee by the employer in a house owned or leased by the employer, the cost to be disallowed in the employer's tax computation is 30% of the taxable income paid to the employee. This may also be prorated to reflect the period in which this benefit was enjoyed.

CAR BENEFIT

Depending on the engine capacity of the vehicle, predetermined amounts are added back. Luxury Cars Ø 2 800 cc and above - K 40,000.00 per annum (ii) Other Cars Ø 1 800 cc and below 2 800 cc - K 30,000.00 per annum Ø Below 1800 cc - K 18,000.00 per annum. The add backs may be prorated to reflect the exact month these benefits were utilised.

ALLOWANCES

Payments for utilities such as electricity, telephones, water bills, security and similar payments are not included in the meaning of free residential accommodation and should be taxed under PAYE.

MILEAGE ALLOWANCE

This is allowable for tax purposes for all business trips as well as Per Diem.

ACCOMMODATION AND MEALS

Accommodation for employees on a business trip are allowable for tax purposes as well as meals and refreshments as per ZRA practice note.

TELEPHONE EXPENSES & CELL PHONE EXPENSES

Telephone expenses normally comprise of private use from the users of the service. As a result, a private component of this expense should be added back in the tax computation as it is not wholly and exclusively for business purposes. For cell phone expenses, where an employee is given talk time where a value of this can be ascertained, PAYE should apply on those expenses.

WATER AND REFRESHMENTS

These are only allowable for tax if they are incurred on a business trip. Therefore, drinks, water and other refreshments in the work place are to be added back.

CAPITAL ALLOWANCES

A certain percentage of the **capital** asset›s cost is allowed as **capital allowance** during the **accounting** period in which it was purchased. These are deductible for tax purposes in Zambia at the below rates. This is governed under *section 33* of the Zambian Income Tax Act.

Asset Type	Wear and Tear Rates (2018)	Wear and Tear Rates (2019)
Commercial Vehicles	25%	25%
Non-Commercial Vehicles	20%	20%
Implements, Plant & Machinery - Other	25%	25%
Investment allowance & Initial investment allowance	10%	10%
Industrial Buildings	5%	5%
Commercial Buildings	2%	2%
Implements used in the generation of electricity	50%	50%
Farm Improvements	100%	100%
Farm equipment and Machinery	100%	100%

FUNERAL EXPENSES

Any expenses rendered towards a funeral actual expenses are exempt from any taxes. Therefore, this is an allowable expense when computing the taxable business profits or loss.

Subscription expenses *section 39* of the Income Tax Act Fees that are paid to professional bodies like ACCA, ZICA, CIMA and EAZ are allowable for tax purposes as they lead to further development of the individual through Continuous Professional Development (CPD). However, any other subscriptions are not allowable for tax purposes e.g. gym, tennis, golf.

APPROVED FUND DEDUCTIONS (SECTION 37)

A deduction shall be made for contributions made to approved schemes of any amount paid by the employee during that charge year by way of contribution to any approved fund, including the National Pension Scheme Authority, if the fund to which the contribution is made continues to be an approved fund for that charge year. i.e. contributions made to funds not approved should be added back in the tax computations.

PAYMENTS IN RESPECT OF TECHNICAL EDUCATION (S38)

These are allowable for taxes if they are for the purposes of technical education relating to that business or for the purposes of obtaining further experience, training or qualifications relating to that business.

REVENUE EXPENDITURE ON RESEARCH (SECTION 43)

These are allowable for income tax and should not be added back in the tax computation.

Deduction for bad and doubtful debts 43A

A deduction shall be allowed in ascertaining the income from any source for debts to the extent that the debts have been included in the income from that source and to the extent that they are proved to the satisfaction of the Commissioner-General to be bad or likely to become bad and, where there is no income from that source for the charge year for which such deduction is due, that deduction shall be deemed to be a loss under section 30. Therefore, these are allowable in a case of closure of a company that owes money as well as if they have undergone liquidation.

DONATIONS

These are only allowable for tax if they are made to an approved benefit organisation (PBO) under *section 41* of the ITA. Registrations for PBOs are approved at Ministry of Finance. Any other donation should be added back in the tax computation.

INCOME TAXED SEPARATELY

This is income a company would make outside the main mandate of the company's dealings as such this income is taxed separately and any costs relating to the same deducted to come up with the taxable income. Therefore, a company may be loss making but still pay taxes as a result of a profit made from other income.

Trading Tax Losses are carried forward from the same source to the next year (*Section 30*), provided that a loss can only be carried forward for a period of five years, 10 years for companies in the energy and mining sectors. These can be used to reduce the taxable income the company may have as a deduction.

Other deductions under *Section 44 of the income tax Act* (These are added back in the computations):

the cost incurred by an individual in the maintenance of himself, his family or establishment, or which is a domestic or personal expense; any loss or expense which is recoverable under any insurance contract or indemnity; capital expenditure or loss of capital, other than loss of stock in trade, unless specifically permitted under this Act; any payment to a pension or superannuation fund or scheme or premium payable under any annuity contract, except such payments as are allowed under section *thirty-seven;* any tax or penalty e.g. ZRA, BOZ RTSA fines, Police fines; any expenditure incurred or capital asset employed, whether directly or indirectly, in the provision of entertainment, hospitality or gifts of any kind:

Deduction for employing a person with disability (*Section 43D).* A deduction may be made as a tax reduction if there is a disabled and registered employee with the disabilities associations.

INCOME TAX RETURNS

The Zambia revenue authority will only know of the transactions of the company i.e. business profits, any losses to be carried forward as well as any related party transactions and if any transfer pricing documentation is in place by submission of an annual return to ZRA failure to which penalties are charged at K600 per month late and 5% of any tax liabilities not paid on time.

PROVISIONAL TAX

A provisional tax return includes a provisional estimate of tax payable for the year. The provisional tax return is due on 31 March, and should be amended each quarter if the estimate of tax payable changes significantly. Four quarterly subsequent payments are made by the 14th of the month after the end of a quarter. The tax regulation requires that at least **two thirds** of the tax liability is paid in provisional taxes. In the event that provisional taxes are underpaid, an underestimation penalty of 25% of the tax which has been underpaid is charged.

DISPUTE RESOLUTION FOR INCOME TAX

There are many times that a taxpayer may feel ill-treated by the tax administrators or tax system. In Zambia, a person may appeal to the Tax Appeals Tribunal (TAT) for a determination of any matter which falls within the jurisdiction of the tribunal. (2) An appeal, application or other document required to be filed under this act shall be filed in the office of the registrar. Therefore, the taxpayer must first approach ZRA if there is any dispute. If this cannot be resolved, it may be taken to the Tax Appeals Tribunal and then finally Supreme Court if the taxpayer is still not happy with decisions from the TAT. The TAT is an informal court that is specialised in the various issues presented to it and serves as an independent party that seeks to promote awareness of tax disputes away from tax collectors. When the hearing of an appeal has finished, the tribunal will advise a day at which the decision, in writing, will be delivered (done within 60 days from the close of proceedings). A summary of the reasons for the Tribunal's decision, and a written copy of the decision, known as a Ruling, will be sent to all parties involved in the dispute. It is also then published in the Government Gazette and made available in hard copy to the general public.

NB: In coming up with the article, references were made to the Income tax act (CAP323) of the laws of Zambia (Chapters as stated in the article), ZRA 2018 Practice notes under headings 22.0 and various ZRA publications. Reference was also made to a presentation by the registrar from the Tax appeals tribunal to ZICA (Budget highlights) on the Tax appeals process.

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EMBRACING THE DISABLED WORKFORCE IS GOOD BUSINESS

Experts say people with disabilities have a lot to offer

By Finbarr Toesland

AT FIVE years of age, Kenneth Habaalu, a Zambian, was paralysed by polio, a viral disease that attacks the nerves. Mr. Habaalu's paralysis appeared to cut short any hopes of getting an education and finding a job later in life. But thanks to his brother who paid his tuition, he acquired a diploma in management.

"The main challenge facing disabled persons in Africa is stigma. Instead of looking at your ability to do work, [employers] will look at your physical disability," explains Mr. Habaalu, now 54. He advocates for government support of disabled people's organisations (DPOs), "as these organisations will employ more disabled people and train many, which will improve their lives."

Mr. Habaalu manages Appropriate Paper Technology (APTERS), a Lusaka-based organisation that produces mobility aids from recycled paper and cardboard for children with physical disabilities. The organisation relies on donations to subsidize production. APTERS currently employs eight staff, each of whom has a disability.

But not many disabled persons in Africa can get an education or set up a business as Mr. Habaalu has.

More than 80 million Africans are disabled, according to the United Nations, including those with mental health conditions as well as birth defects and other physical handicaps. In Africa's major capitals such as Accra, Lagos and Lusaka, hundreds of people with disabilities, some in wheelchairs, others not, can be found by the roadsides begging for alms. The UN warns that aging populations, malnutrition, conflicts and disease, among other factors, can be expected to increase the number of the disabled in the near future.

While conditions such as cerebral palsy, Tourette's syndrome and dwarfism can be easily identified, disability comes in other forms such as bipolar disorder, obsessive compulsive disorder and schizophrenia that may not be easily identifiable, according to experts.

For many of Africa's disabled, assistive devices such as wheelchairs, crutches, hearing aids and prosthetics are either not readily available or unaffordable. This, combined with a lack of formal education or vocational skills, creates difficulty for the disabled seeking employment. They are unlikely to be hired.

"Employers continue to think hiring disabled people is difficult, because they so rarely meet them face-to-face—and so they rarely have the chance to learn directly from disabled people speaking for themselves," says Susan Scott-Parker, CEO of the London-based Business Disability International, a not-for-profit social enterprise that works to improve job prospects for disabled people.

Ms. Scott-Parker is calling for DPOs and other NGOs to train disabled people in skills that can make them attractive to employers. Unless disabled people are provided with the support they need to be independent and employable, the cost to governments and society will be substantial.

"Far too many disabled people are offered training that equips them with skills that local employers are actually not looking for. Why learn woodworking if there aren't any woodworking jobs? Why not, instead, approach the local Cisco Networking Academies to ensure disabled people get the Cisco accreditation which we know local companies are looking for?" asks Ms. Scott-Parker rhetorically.

Sadly, Ms. Scott-Parker says, many employers underestimate what persons with disabilities can achieve. Disabled people, she says, suffer from the "soft bigotry of low expectations," a subtle form of prejudice against them by employers.

Some African governments and advocates for people with disabilities have been searching for ways to foster inclusion of talented people with disabilities in the workforce. In 1998, for instance, the Parliament of South Africa passed the Employment Equity Act, which requires organisations to ensure that people with disabilities make up at least 2% of their workforce.

Incentives for South African companies include tax rebates of up to 100,000 rands ($7,000) for each disabled person undergoing training. Local and international NGOs, including Light for the World, an international disability and development organisation with headquarters in Austria, offer grants and training to disabled employees and jobseekers.

Still, South Africa absorbs less than 1% of its citizens with disabilities into its workforce because of two factors: first, the stigma disabled people face at work, which discourages many from looking for jobs; second, the lack of financial penalties for companies that fail to meet the 2% target, which gives employers the leeway to disregard the law.

"There are about five million disabled South Africans. This [not meeting the 2% target] indicates the magnitude of the problem that people living with disabilities are facing," says Shereen Elmie, who sits on the board of Employment Solutions for People with Disabilities, a South Africa–based nonprofit that helps people with disabilities find jobs.

In 2003, Kenya passed the Persons with Disabilities Act, which requires public and private organisations to have disabled persons fill at least 5% of their job vacancies. There are about 3 million people with disabilities in Kenya, according to the International Labour Organisation. Employers often disregard the act, laments 36-year-old Frederick Ouko, who himself uses a wheelchair. "They don't even consider it."

In a 2015 study, *Disability, Gender, and Employment Relationships in Africa: The case of Ghana*, published by the *African Journal of Disability*, researcher Augustina Naami found that in Ghana, most "persons living with disabilities are unemployed, the majority being women." The author lists discrimination and negative perceptions about their abilities as key barriers to employment.

To counter these disadvantages, the study recommends educational interventions, such as workshops to promote success stories of persons with disabilities, and government financing of formal education for the disabled.

Ms. Scott-Parker says that a business that creates a diverse, merit-based workforce, in which people with disabilities are treated equally to the "abled," is likely to have access to the highest-quality talent available. There is no need to arbitrarily disregard skilled job seekers who happen to be disabled.

As governments are among the largest employers of labour in Africa, the public sector must deliver best practices to "have a huge impact on the employment prospects of disabled persons," she said.

Tom Shakespeare, a professor of disability research at the University of East Anglia, UK, insists that this diverse group has much to offer companies across the continent.

"Businesses will find that disabled people are dedicated and hardworking employees who will stick at a job and give it their best. It makes good business sense to employ suitably qualified disabled people," Mr. Shakespeare asserts. ■

Africa Renewal

MUTUAL FUNDS
A DETAILED PERSPECTIVE

2019 SUBSCRIPTION notification from ZiCA, has an item of ZiCA property fund that was introduced. This brought about many questions among members as to what this property fund is all about. It is in this vain that this article is published. For the purpose of this article, unit trust and mutual fund will be used interchangeably to mean the same.

What is a mutual fund?

A mutual fund is an investment vehicle made up of a pool of money collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and other assets. Mutual funds are operated by professional money managers, who allocate the fund's investments and attempt to produce capital gains and/or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

Mutual funds make it easy for small or individual investors to invest in the portfolio as some investments can start from as low as a K250 per month. The investment in mutual shares is not so different from the investment in a private or public limited company since a mutual fund is also a company. So what happens is if as an investor you are interested in investing in a specific mutual fund, what you are basically doing is acquiring units which are quoted at a unit price of say K10 per unit, meaning if your investment amount in a mutual fund is K1000, you would have acquired 100 units in that mutual fund.

HOW ARE MUTUAL FUNDS MANAGED?

Mutual funds are virtual companies that buy pools of stocks and/or bonds as recommended by an investment advisor and fund manager. The fund manager is hired by a board of directors and is legally obligated to work in the best interest of mutual fund shareholders. Most fund managers are also owners of the fund, though some are not.

There are very few other employees in a mutual fund company. The investment advisor or fund manager may employ some analysts to help pick investments or perform market research. A fund accountant is kept on staff to calculate the fund's net asset value (NAV), or the daily value of the mutual fund that determines if share prices go up or down. Mutual funds need to have a compliance officer or two, and probably an attorney, to keep up with government regulations.

Most mutual funds are part of a much larger investment company apparatus; the biggest have hundreds of separate mutual funds. Some of these fund companies are names familiar to the general public, such as Laurence Paul and Mpile unit trust fund.

Unit trust funds are regulated and in Zambia, this regulation is done by the Security Exchange Commission (SEC), which sees to it that the unit trust is investing the funds appropriately.

WHAT DO MUTUAL FUNDS DO WITH YOUR MONEY?

If you have even as little as ZMW 250 to spare, you can start your investment journey with unit trust. Depending on your investment objectives and future needs, you can choose to buy a particular number of units of a fund. A Unit Trust invests the pool of money collected from the investors in a range of securities comprising equities, debts, money market instruments etc., with nominal Asset Management Company (AMC) fees. In proportion to the number of units you hold, the income earned and the capital appreciation realised by the scheme will be shared with you accordingly.

WHAT ARE THE TYPES OF MUTUAL FUNDS ONE SHOULD CONSIDER INVESTING IN?

There are seven (7) common types of mutual funds that can be considered. These are:

Money market funds: These funds invest in short-term fixed income securities such as government bonds, treasury bills, bankers' acceptances, commercial paper, and certificates of deposit. They are generally a safer investment, but with a lower potential return than other types of mutual funds.

Fixed income funds: These funds buy investments that pay a fixed rate of return like government bonds, investment-grade corporate bonds and high-yield corporate bonds. They aim to have money coming into the fund on a regular basis, mostly through interest that the fund earns. High-yield corporate bond funds are generally riskier than funds that hold government and investment-grade bonds.

Equity funds: These funds invest in stocks. These funds aim to grow faster than money market or fixed income funds, so there is usually a higher risk that you could lose money. You can choose from different types of equity funds, including those that specialise in growth stocks (which don't usually pay dividends), income funds (which hold stocks that pay large dividends), value stocks, large-cap stocks, mid-cap stocks, small-cap stocks, or combinations of these.

Balanced funds: These funds invest in a mix of equities and fixed income securities. They try to balance the aim of achieving higher returns against the risk of losing money. Most of these funds follow a formula to split money among the different types of investments. They tend to have more risk than fixed income funds, but less risky than pure equity funds. Aggressive funds hold more equities and fewer bonds, while conservative funds hold fewer equities relative to bonds.

Index funds: These funds aim to track the performance of a specific index such as the S&P/TSX Composite Index. The value of the mutual fund will go up or down as the index goes up or down. Index funds typically have lower costs than actively managed mutual funds because the portfolio manager does not have to do as much research or make as many investment decisions.

Specialty funds: These funds focus on specialised mandates such as real estate, commodities or socially responsible investing. For example, a socially responsible fund may invest in companies that support environmental stewardship, human rights and diversity, and may avoid companies involved in alcohol, tobacco, gambling, weapons and the military. This is the category where the ZiCA property fund falls.

Fund-of-funds: These funds invest in other funds. Similar to balanced funds, they try to make asset allocation and diversification easier for the investor. The MER for fund-of-funds tend to be higher than stand-alone mutual funds.

WHAT SHOULD YOU CONSIDER WHEN CHOOSING A MUTUAL FUND?

Income, expenses, commitments, financial goals and many other factors vary from person to person. So before investing your money in Unit Trusts (Mutual Fund), you need to analyse the following:

Investment objective: The first step should be to evaluate your financial needs. It can start by defining the investment objectives like regular income, buying a home, finance a wedding, educating your children, or a combination of all these needs. Also your risk appetite and cash flow requirements form an important part of the decision.

Choose the right Unit Trust: Once the investment objective is clear, the next step would be choosing the right Unit Trust scheme. Before choosing a Unit Trust, the following factors need to be considered:

- Net Asset Value (NAV) performance in the past track record of performance in terms of returns over the last few years in relation to appropriate yardsticks and other funds in the same category
- Risk in terms of unpredictability of returns
- Services offered by the Unit Trust and how investor friendly it is
- Transparency indicated in the quality and frequency of its communications

It is always advisable to diversify your money by investing it in different schemes. This not only cuts down on the risk, but also gives you a chance to benefit from multiple industries and sectors.

ADVANTAGES OF MUTUAL FUNDS

Diversification: Diversification or the mixing of investments and assets within a portfolio to reduce risk, is one of the advantages to investing in mutual funds. Buying individual company stocks in retail and offsetting them with industrial sector stocks, for example, offers some diversification. But a truly diversified portfolio has securities with different capitalisations and industries, and bonds with varying maturities and issuers. Buying a mutual fund can achieve diversification cheaper and faster than through buying individual securities.

Economies of Scale: Mutual funds also provide economies of scale. Buying one spares the investor the numerous commission charges needed to create a diversified portfolio. Buying only one security at a time leads to large transaction fees, which will eat up a good chunk of the investment. Also, the K250 to K1,000 an individual investor might be able to afford is usually not enough to buy a round lot of a stock, but it will buy many mutual fund shares. The smaller denominations of mutual funds allow investors to take advantage of Kwacha cost averaging.

Easy Access: Trading on the major stock exchanges, mutual funds can be bought and sold with relative ease, making them highly liquid investments. And, when it comes to certain types of assets, like foreign equities or exotic commodities, mutual funds are often the most feasible way – in fact, sometimes the only way – for individual investors to participate.

Professional Management: Most private, non-institutional money managers deal only with high net worth individuals – people with six figures (at least) to invest. But mutual funds are run by managers, who spend their days researching securities and devising investment strategies. So these funds provide a low-cost way for individual investors to experience (and hopefully benefit from) professional money management.

Individual-Oriented: All these factors make mutual funds an attractive options for younger, novice and other individual investors who don't want to actively manage their money: They offer high liquidity; they are relatively easy to understand; good diversification even if you do not have a lot of money to spread around; and the potential for good growth. In fact, the overwhelming majority of money in employer-sponsored retirement plans goes into mutual funds.

DISADVANTAGES OF MUTUAL FUNDS

Fluctuating Returns: Like many other investments without a guaranteed return, there is always the possibility that the value of your mutual fund will depreciate. Equity mutual funds experience price fluctuations, along with the stocks that make up the fund. Of course, almost every investment carries risk.

Cash: As you now already know, mutual funds pool money from thousands of investors, so every day people are putting money into the fund as well as withdrawing it. To maintain the capacity to accommodate withdrawals, funds typically have to keep a large portion of their portfolios in cash. Having ample cash is great for liquidity, but money sitting around as cash is not working for you and thus is not very advantageous.

Costs: Mutual funds provide investors with professional management, but it comes at a cost mostly by the AMC in terms of management fees. These fees reduce the fund's overall payout, and they're assessed to mutual fund investors regardless of the performance of the fund. As you can imagine, in years when the fund doesn't make money, these fees only magnify losses.

Diworsification: Many mutual fund investors tend to overcomplicate matters – that is, they acquire too many funds that are highly related and, as a result, don't get the risk-reducing benefits of diversification. In fact, they have made their portfolio more exposed, a syndrome called diworsification. At the other extreme, just because you own mutual funds doesn't mean you are automatically diversified. For example, a fund that invests only in a particular industry sector or region is still relatively risky.

Evaluating Funds: Researching and comparing funds can be difficult. Unlike stocks, mutual funds do not offer investors the opportunity to compare the P/E ratio, sales growth, earnings per share, etc. A mutual fund's net asset value gives investors the total value of the fund's portfolio, less liabilities, but how do you know if one fund is better than another?

Therefore, to comment on the issue in the preamble, ZiCA property fund is an investment opportunity for all Accountants. ■

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ARE UNIT TRUSTS THE BEST ALTERNATIVE FOR SECURING YOUR FUTURE?

Saving and Investing are terms that we often hear and only relate to being relevant to a certain age group or class. The lack of a savings culture in Zambia has created a mental impression that saving and investing are only relevant when one is nearing retirement age. Investing is a key component that needs to be factored into our lives.

The earlier we start to save or invest, the more we can maximise on our wealth and stay ahead of those who realise the essence of investing when it is too late and there isn't any income for sustenance.

According to Lerner (1993), Saving is the portion of disposable income, which is not consumed while Investing is the commitment of current financial resources in order to achieve higher gains in future.

Being an early investor helps you to not only have control of your spending habits but also helps you to be on top of your finances by avoiding being in constant debt to meet your urgent needs or obligations. Placing your funds in a Unit Trust helps you to grow your funds and in the long run, you can afford things that others cannot afford to buy. Whether one's disposable income is small or large, setting aside some of it for investments requires self-discipline. This means that anyone with the self-discipline to postpone buying certain wants they'd like to have now, can enjoy the longer-term benefits of having that money work for them through savings and investments.

Financial decision-making is important at all ages because each decision brings one closer to achieving their goals and securing their future. In the financial decision-making process, there are many different choices or alternatives that have to be weighed. Each choice will have benefits and costs. As one weighs the benefits and costs of each alternative, it is important also to consider trade-offs and opportunity costs. According to the American Investor Education Programme of 2020, Trade-offs are those items foregone as a result of choosing one option over another.

Opportunity costs are those valued alternatives that are given up as a result of choosing one option over another. The concept of "opportunity cost" is key to understanding the power and benefits of investing for the future.

As opposed to getting a home loan, a student loan or vehicle asset financing, you can actually choose Investment as an option even though most would be reluctant to this option. This is because they feel that investing is a longer route and getting a loan will help them realise their short term and immediate financial needs. However, this does not add value if you cannot pay a loan back within a reasonable timeframe thereby, putting you at risk to be in default of your debt, incurring higher interest rates as a result of default and in worse case scenarios being blacklisted by the Credit Reference Bureau.

In the adverse, investing acts as a cushion when you cannot afford to meet your loan repayments. It involves making a sacrifice in the present with the hope of deriving future benefits. The two most important features of an investment are current sacrifices and future benefits. Investment is the sacrifice of certain present values for the uncertain future reward. One of the options to investing and saving is a Unit Trust.

Other benefits of saving and investing are: It helps one to reach financial goals; have funds set aside for cases of emergencies; and have the option of taking advantage of unforeseen opportunities to grow your income and secure your future and that of your loved ones.

Saving and Investing however, requires attributes such as discipline, commitment and consistency having the attitude of securing your future.

According to the First Timers guide to Saving and Investing, there are five tips that can help one to Save and Invest;

(1) **Pay yourself first:** We've all heard this one before. But how many people actually do it? Most people only think about what they can save after they've dealt with paying everything else. Sometimes we know we can save more but spend that money, only putting what is left over (if anything) into our savings. But if you pay yourself first, you'll save more - and faster!

(2) **Stick to your budget:** If you don't already have a budget, check out our First Timer's Guide to Budgeting to get started. If you have a budget in place, stick to it! There's always something unexpected that pops up, so be sure to build a little extra into your budget for "just in cases". And if you don't use those extra funds, just add them to your savings.

(3) **Choose the right savings plan:** Once you've figured out how much you can save, you need to choose the right savings plan to meet your goals. Luckily, there is lots of information in this guide that will help you make the right choice for your personal goals and unique financial situation.

(4) **Set up a pre-authorised plan:** If you're finding it hard to save on a regular basis, set up monthly, bi-weekly or weekly pre-authorised payments from your account to a savings or investment account. That way you don't have to remember to do it. And it means higher interest

payments on amounts deposited sooner in comparison to one lump sum payment deposited less often.

(5) **Spend less than you earn:** Pretty logical, though some people find this hard and struggle with debt as a result. If you don't spend less than you earn, you'll never be able to save. So be smart: use cash instead of credit, track your spending, and put extra cash towards debt. Incorporate these financial habits into your life, and you'll be well on your way to saving more in no time.

When you start thinking about investing, you need to get yourself in a good financial position. Ideally this would include:

• Having your debt under control. This doesn't necessarily mean you're debt-free, just that you're managing your debt well and paying everything off as quickly as possible so that you're in a better position to invest.

• Having an emergency fund that will cover at least three months of basic living expenses in case of emergency.

• Contributing to your employer's pension plan to maximise your investments.

There are three types of investments namely:

Ownership Investments: These are the most volatile and the most profitable kinds of investments and include stocks, business, real estate, and precious objects.

• **Lending Investments:** These are the least volatile kinds of investments, making them less profitable but more secure and include bonds and savings.

• **Cash Equivalent Investments:** These can be easily converted to cash, making them less profitable and include money market fund.

The best investments for you will depend on your short- and long-term goals and whether you want to explore environmentally and socially responsible investment options. Sitting down with a financial expert can help you determine the best investment strategy for you. It is important to remember that as time goes on, your needs will change.

There are also other alternatives to saving and Investing such as Unit Trusts, popularly known as a Collective Investment Scheme (CIS). A Unit Trust is an investment fund that allows you to pool your money together with other investors. It is divided into units of equal value. Therefore, the number of units you hold represents your share of the unit trust. Investments in a Unit Trust are valued in accordance with their respective asset classes. Each asset class aims to achieve different objectives, ranging from capital preservation, capital appreciation and income generation.

Unit Trusts are generally medium to long-term investments and are traded at ruling prices. Collective investments are calculated on a net asset value basis (NAV), which is the total value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. They invest in different asset classes such as listed domestic equity securities, fixed income securities, foreign securities quoted on foreign stock exchanges, local commercial property, corporate bonds, treasury bills, fixed term deposits, commercial paper, et cetera.

The returns realised from investing in a Unit Trust are however, not guaranteed due to the different risks that investments are subject to such as;

(i) **Market risk** - This is due to price fluctuations of securities invested in the fund. The value of a unit trust investment may go up as well as down.

(ii) **Currency risk** - This applies to investments in foreign securities where exchange rates between the local currency and foreign currency fluctuate and affect the return and volatility of the investment.

(iii) **Return not guaranteed** - income distribution is not guaranteed. There is a risk that there may not be any distribution of income for the particular fund.

(iv) Credit risk - This applies to debt-type. Investments institution may not be able to make the obligation to pay.

(v) **Manager's risk** - Poor management of fund by the Fund Manager may cause the fund to decrease in value, which in turn may cause the capital invested by a unit holder to be at risk.

Investing in a unit trust is the best alternative to securing one's future as it is a tax-free investment and offers one the potential to grow disposable income and savings. Some of the benefits of investing in the Mpile Unit Trust include; It is an attractive and convenient way to make personal savings; there are no commitments to fixed monthly contributions; your funds can be withdrawn at any time upon request and you have the opportunity to invest in a diversified portfolio with the expertise of a fund manager.

The pooling of funds in the Collective Investment Scheme (CIS) also provides exposure to a broad range of investments at minimum cost. Since funds in a unit trust are invested in a wide range of assets, this reduces the overall risk of the portfolio.

Unit trusts are also beneficial for investing as they offer one the flexibility to tailor a portfolio to suit their personal investment needs and time horizon. While directly held share portfolios do not qualify as tax-free investments, with unit trusts, one can access the stock markets and benefit from the expert knowledge of fund managers.

African Life Financial Services (Aflife) is one of the leading privately owned investment and wealth management companies in Zambia that offers a great investment product called the Mpile Unit Trust that helps one to maximise on their returns by having a diversified portfolio of assets. The institution has had a track record of accomplishment of over twenty-five years.

Aflife began operating in 1992 initially as a financial services division under the mining giant Anglo American Corporation following the economic liberalisation policy of the Zambian government and opening up of financial services sector. In the year 2000, the Botswana Insurance Fund Management (BIFM) acquired 50% of shareholding, Anglo-American exited and Aflife came into full existence.

The company is registered and regulated by the Securities and Exchange Commission (SEC); the Pensions Insurance Authority under the Pension Scheme Regulation Act of 1996 that regulates its other Investment activities.

The vision of the organisation is to be the leading provider of innovative world-class investment and savings solutions.

Its mission is to strive and aspire to:

- Consistently churn out superior returns
- Engage and retain the best talent
- Maintain the highest ethical and professional standards
- Be 100% compliant with the regulatory framework
- Be a responsible corporate citizen
- Continuously improve our business processes

Its core values are integrity, respect, openness, client- centric and empathy. ■

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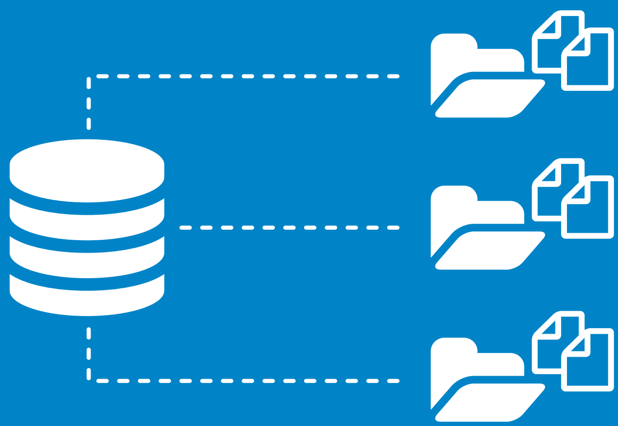

CORPORATE KNOWLEDGE MANAGEMENT

ARE WE GIVING IT ATTENTION?

KNOWLEDGE generation, retention and development in any business fraternity is considered to be a heartbeat that drives the blood flow and future existence of organisations' business strategies. Strategic knowledge management and organisational learning in business is the basis of innovation and achievement of competitive advantage due to the fact that it provides a picture and a drive way for firms to intuitively perceive the impending external and internal challenges that might come their way. And as such, the existence of knowledge in an organisation is more dependent upon the reliability of its internal source. The exposure derived from the experience attained through operational activities and the objectives achieved is the basic resource for knowledge creation in business. Organisational learning can never exist without establishing the required expert knowledge on how to learn it, implement, manage and achieve positive results out of it. Invention of knowledge for strategic management cannot begin at the same time and with everyone. It usually begins with an individual, either from the top management like a director or a worker operating a single machine and once the knowledge is invented, it must be assessed, shared and managed as a corporate resource though it might not be strategically managed in the similar way as that of physical assets due to its intangible nature. "Inventing new knowledge is not a specialised activity…everyone is a knowledge worker" (Nonaka, 1991). Being intangible, knowledge can be properly managed through organisational learning, practical implementation and attaining results out of it.

STRATEGIC KNOWLEDGE DEVELOPMENT

The strategic development framework of any organisation requires knowledge as a resource to formulate and integrate information systems that will enable it to achieve objectives and assist in evaluating performance controls. A strategy is defined as "a pattern or plan that integrates an organisation's major goals, policies, and action sequences into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organisation's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents" (Evans and Lindsay, 2008).

By definition, knowledge is "information embedded in routines and processes which enable action". It is a mindset of initiatives presenting human power of faculty and help to "identify, interpret and internalise" (Myers, 1996). Knowledge is an important aspect in strategic development. It is the basis where information in any organisation is derived from and its proper usage leads to corporate success in terms of productivity, efficiency, operational effectiveness and profitability. Strategic management of knowledge is the total combination of all notable corporate activities and processes that organisations use to systematically coordinate and align resources and actions with mission, vision and strategy throughout an organisation. These activities enable workers to transform ideas into a system that provides strategic performance feedback to decision-making and also enable the individuals' initiatives to evolve and grow as requirements and other circumstances change.

The use of knowledge in strategic development is an important will-power that drives business operations and help to create sustainable competitive advantage, clear objectives and frameworks in organisations and it also provides an advantage for expert initiatives to be fully inculcated in minds of all departmental leaders in order to improve performance and productivity. The expert knowledge about the business strategy can be triggered if the distinction is well analysed and defined between information and skills. Information is the refined knowledge for what is to be done while skills are a refined knowledge on how best to do what is to be done. Operations strategy involves the "setting broad policies and plans for using the resources" like knowledge "of a firm and must be integrated with corporate strategy" (Jacobs and Chase, 2011).

KNOWLEDGE PLANNING AND MANAGEMENT IN STRATEGIC FORMULATION

"The importance of flexible and adaptive organisation structure, a culture of trust and knowledge sharing, a strong technological network and a committed leadership to promote knowledge development and learning in the organisation are prerequisite for innovation and creation of new knowledge" (Dasgupta, M. and Gupta, R.K, 2009). This critical examination of knowledge can either bring positive or negative impact to any organisation depending on the approaches to be adopted. The important aspect to consider in strategic planning is to know why, how, and when an organisation gathers and examines different data about its internal and external factors as inputs to the planning process. This observation of factors for planning, starting from an organisation's mission, vision, guiding principles, business environmental assessments, strategies, strategic objectives and action are the basics for benchmarking an organisation's competition but on the opposite end, the result can be unwelcome when the SWOT (Strengths, Weakness, Opportunity, Threats) analysis is missing. SWOT analysis normally involves the strength of existing and new initiatives to aid in strategic planning, the weakness and opportunities that initiatives provide as well as the threats to be faced in its application. The other main challenges to consider are the reliability measurement levels of ideas or initiatives and how to maintain them. There can be workers in an organisation with the capacity to think and intuitively strategise but they cannot perform the work physically. Some can possess both the ability to strategic thinking and practical performance. "We know that the source of wealth is something human: Knowledge. If we apply knowledge to tasks we already know how to do, we call it productivity. If we apply knowledge to tasks that are new and different, we call it innovation. Only knowledge allows us to achieve these two goals" (Peter Drucker cited in DeTienne & Jackson, 2001).

The knowledge requirement for strategic process on the other hand depends much upon the understanding of business environment by considering the PESTLE factor analysis impact on the corporate strategy. PESTLE (Political, Economy, Social, Technology, Legal, and Environment). Analysis in this aspect is incorporated as an important tool for strategic knowledge retention and development and ensures that there is awareness of any risks as a result of new invention of initiatives in an organisation. Political analysis of resource knowledge is concerned with how it can strategically bring impact on an organisation when there is change of government and policies on general public funding, high inflation and interest rates and also labour and energy costs, language differences and culture, new technology, ethical issues and employment laws. When there is critical examination of both existing and new knowledge in relation to SWOT and PESTLE analysis, strategic formulation becomes efficient. "Strategic objectives and action plans often require significant changes in human resource requirements, such as redesigning the work organisation or jobs to increase employee empowerment and decision making, promoting greater labour/management cooperation, modifying compensation and recognition systems, or developing new education and training initiatives" (Evans and Lindsay, 2008).

OLD AND NEW KNOWLEDGE RESOURCE IN MARKETING STRATEGY

Knowledge resource in marketing strategy cannot be overlooked because it is the central determinant of strategic business units (SBUs) in an organisation. "Knowledge is awareness, consciousness or familiarity gained by experience or learning" (Johnson, Scholes and Whittington, 2011). Knowledge and organisational learning in marketing strategy can be analysed by examining the three levels of strategic planning. That is, the corporate level strategies, where knowledge about the overall corporate business is cultivated and managed; Business level strategies, where there is much focus on business units in the corporate framework to maintain the organisational competitive advantage; and the functional level strategies, where human resource, finance, operations, and marketing knowledge is incorporated.

Both new and existing knowledge in marketing strategy play a very big role in product development and service awareness, expanding the market share and sustaining competitive strategy in the market arena.

Practically, the strategy is formulated to position the business and provides the strength required to operate and exist. This involves product line management and offer of proper expert knowledge. At a functional level, marketing personnel are required to make decisions on things such as market segmentation, targeting and positioning. Marketing mix is integrated in marketing strategy but the mixing must embrace tactical initiatives to help achieve the objectives. In order to achieve and maintain the objectives in marketing strategy, there must be an internal and external analysis of the following:

- **Customer analysis** - This involves the thorough analysis of knowledge about the market demands and determine the impact upon corporate strategy. Identification of new and existing segments, unmet customer needs and customer motivation.
- **Market analysis** - Involves the knowledge about the size, growth, distribution channels and market dynamics.
- **Competitor analysis** - This presents the knowledge required to assess competitor strengths and weakness as well as performance. Identifying the barriers to entry and turn those into opportunities by using market innovative strategies and creativity.
- **Industrial structure** - This is concerned with analysis of cost structure of a product or service on the market, its profitability and current or future intensity of competition as a result of its usage.

Strategic management of knowledge and organisational leaning is not a one-off exercise; it is a continuous and dynamic process that involves implementing required resources and capabilities to drive an organisation to higher heights and meet objectives both short term and long term at the right time and according to initial plans. The knowledge applied in achieving objectives must be evaluated to ensure stability and sustainability of future operations. Knowledge can be evaluated by looking at improvement in productivity, new products, new markets and new ideas for market penetration. Human resource with expertise is needed to help firms reach a successful level. "The behaviour of any group is determined to a considerable extent by the composition of its membership and by their level of commitment to the group's goals" (G .A. Cole, 1995). There is need for organisations to keep learning and discovering new knowledge and talents in its human resource as a basis for innovation. The importance of knowledge under strategic marketing is based on its usage to help managers to identify sources of competitive advantage and ensure consistent relationships, support, commitment and information. It is also useful in marketing research and disseminating ethics based on marketing behaviour.

MANAGING KNOWLEDGE IN STRATEGIC CORPORATE CHANGE

Corporate change is not an easy exercise to undertake because of the factors that are involved in relation to a business' internal and external environment. The factors can be ethical and non-ethical but the impact can be determined by the type of knowledge applied by leaders of an organisation to effect change. (Moss Kanter, 1984) explained change as "The process of bringing any new, problem-solving idea into use and the generation, acceptance, and implementation of these ideas, processes, products, or services."

Types of change and the factors involved:

1. Change based on long term objectives - Most of corporate changes under this type are externally triggered because the factors are external in nature and usually tend to affect even the mission, vision and values of a company. Changes under this category may be induced as a result of highly regarded perception of activities and initiatives of competitors by customers, changes in foreign trading terms and conditions, emerging technologies, mergers and acquisitions, new government policies in relation to business operations, changes in customers' tastes and so on. Usually, many organisations have limited hands to control the changes especially those coming from external factors but it is important for them to reliably source for knowledge to aid them in strategic change control and management. There should be a collaborative system of knowledge to examine the impact and implication of changes and also evaluate the situation so that more informed decisions are made.

2. Change based on short-term objectives - This is a change derived from internal or external influences. It is reactive in nature because there is a force to respond to a situation. The change initiatives are introduced based on the expert knowledge to control the situation or respond to internal challenges such as cost of relocation of factory near suppliers and markets due to low sales volumes, innovations in products and service design, employee low performance and high turnover, unskilled labour and demand for training.

INTEGRATION OF KNOWLEDGE IN CORPORATE CHANGE STRATEGIES

There was an emphasis of knowledge integration and management in the model done by (Kurt Lewin, 1947) where it was summarised that change comprises three stages, namely, unfreezing existing behaviour, shifting to new behaviour and refreezing new behaviour. The first stage, 'unfreezing', considers the motivation factors of employees after change is introduced. The second one is essentially an application of new changes. The third stage, 'refreezing new behaviour', is concerned with knowledge management through organisational learning and exhibiting capabilities. A change normally depends on the quality of initiatives and behaviour of recipients to accept it and according to French and Bell, 1984, development was stated as "…a long-range effort to improve an organisation's problem-solving and renewal process…through a more effective and collaborative and diagnosis and management organisational culture…with the assistant of a consultant-facilitator and the use of theory and technology of applied behavioural science, including action research." In difficult situations, there are strategies for inducing change and these are based on some fundamental principals such as 'empirical –rational' - where there is an assumption that stakeholders will embrace changes when they discover that the knowledge they possess corresponds well to a change, 'Normative-re educative' - where change is gradually brought about by replacing old norms with new norms through the process of re-educating stakeholders and finally the 'Power -coercive' - where management exercises power of authority to force change and threaten sanction against non-compliance, (G .A. Cole, 1995).

MANAGING STRATEGIC KNOWLEDGE DURING RESISTANCE TO CHANGE

When there is corporate change, restructuring or new innovations in any section of an organisation, challenges manifest that might hinder the process of change and eventually the competitive advantage. Difficulties in mobilising staff or human resource is a barrier if changes are related to the workforce because there will be more costs to be incurred in training new personnel's skills and responsibilities and assessing employees' credibility. Organisational culture, values, beliefs and attitudes must be studied well and evaluated in order to come up with knowledge strategies to aid in the change process. Knowledge in this sense must be a competitive and valuable asset to ensure concrete changes and support in the new processes, products and services, customer focus and satisfaction as well as synchronising information technology with company goals. Managers must ensure that any relationship gap between them and employees is avoided as it might bring strong resistance to change and affect productivity, competitive advantage and future operations. Departmental support and strong network is the basis for knowledge retention and management. In a situation where failure exists in change process, managers should work to remove relationship gaps by providing a platform in form of routine meetings where participants will help strategise on how to generate knowledge and impart tacit knowledge in others to develop solid ideas to achieve sustainable competitive advantage.

The sustainability of corporate knowledge depends more on how it was generated. That is, whether for a short term or for a long term period. If an organisation built its knowledge in the system structure, for example, in Management Information Systems (MIS), the focus will be to ensure adequate and consistent improvement of information in MIS to suit the prevailing competitive environment. If the source knowledge originated from employees, the attention should be to retain them by means of motivation through salary increments, promotions and engaging them in company sponsored specialised training.

CONCLUSION

The use of knowledge in strategic development is an important will-power that drives business operations and help to create sustainable, competitive advantage. Clear objectives and strategic frameworks in organisations enable expert initiatives to be fully inculcated in minds of all departmental leaders in order to improve performance and productivity. The expert knowledge about the business strategy can be triggered if the distinction is well analysed and defined between information and skills. Information is the refined knowledge for what is to be done while skills are a refined knowledge on how best to do what is to be done. Knowledge management is not the work of an individual or a manager, it is a collective responsibility of every employee and effort must be applied to maintain its existence regardless of the costs involved. Being intangible asset in nature, knowledge and organisational learning must be given more attention as it is a focal point for organisations to develop business strategies and achieve the objectives. ■

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TECHNICAL UPDATES

FINANCIAL REPORTING – IFRS

IASB publishes proposed amendments to IAS 37 regarding onerous contracts

The International Accounting Standards Board (IASB) has published an exposure draft 'Cost of fulfilling contracts (proposed amendments to ISA 37)'considering costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Comments are requested by 15thApril 2019.

Background

The IFRS Interpretations committee received a request to clarify what costs an entity considers in assessing whether the contact is onerous. The committee's research revealed that, for some contracts differing interpretations of the onerous contact requirements in IAS 37 provisions, contingent liabilities and contingent assets could have a material effect on entities that enter into those contracts. Consequently, the committee recommended that the board clarifies the onerous contract requirements in IAS 37.The board supported the committee's suggestion and has today published an exposure draft of proposed clarifications.

Suggested Changes

The changes proposed in ED2018/2 cost of fulfilling a contract (Proposed amendments to IAS 37)

Specify that the costs of fulfilling a contract in paragraph 68 of IAS 37 comprises the cost that relate directly to the contract; and

Provide examples of costs that do, and do not relate directly to a contract to provide goods or services.

The Board proposes no new requirements for entities to disclose information about onerous contract.

FINANCIAL REPORTING – IPSAS

IPSAS 41, Financial Instruments Released

The International Public Sector Accounting Standards Board (IPSASB) released IPSAS 41 Financial Instrument. IPSAS 41 is based on International Financial Reporting Standard (IFRS) 9, Financial Instruments, developed by the International Accounting Standards Board (IASB)

IPSAS 41, Financial Instruments, establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement.

Published in 2018, IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and

Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

Effective date of IPSAS 41

The effective date of IPSAS 41 is January 1, 2022, with earlier adoption encouraged. IPSAS 41 is applied retrospectively in accordance with IPSAS 3, Accounting Policies, Change in Accounting Estimates and Errors unless specific conditions are met.

65% of Governments Globally Will Report on an Accrual Basis by 2023, Finds New Report

Joint report by IFAC and CIPFA forecasts

rapid acceleration of accrual accounting and international standards adoption

Within five years, 65% of governments will report on an accrual basis, according to a recent report by IFAC (the International Federation of Accountants) and CIPFA (the Chartered Institute of Public Finance and Accountancy). The report was drawn from the International Public Sector Financial Accountability Index, which captures current and future use of public financial reporting bases and frameworks by governments around the world.

The 2018 Index Status Report, which captures information from 150 countries, finds that while 25% of governments currently report on an accrual basis, 65% of governments will report on accrual by the end of 2023. Asia, Africa, and Latin America and the Caribbean will lead the projected increase by the end of 2023.

By providing a comprehensive view of government finances, accrual reporting helps ensure that expenditure of public funds is transparent, public officials are held accountable, and future liabilities are recognized officially and planned for properly.

Public financial reporting frameworks are developed in various ways, with many using International Public Sector Accounting Standards (IPSAS). IPSAS provide high quality financial reporting guidance for governments and other public bodies around the world, in order to improve their consistency and transparency. 51% of governments that currently report on an accrual basis use IPSAS directly, indirectly or as a reference point. By the end of 2023, nearly three-quarters (73%) of governments that report on accrual will use IPSAS in one of these three ways.

The report also outlines key actions for successful accrual reforms. According to the report, successful implementation of accrual reforms requires coordinated planning and sustained support. Additional recommendations include: frequent and clear communications, a change management program, and coordinated training and capacity building.

IFAC and CIPFA plan to expand the Index progressively in terms of both coverage and information depth and to provide periodic status reports throughout this crucial uptake period for accrual financial reporting globally.

AUDITING AND ASSURANCE

The International Auditing and Assurance Standards Board (IAASB) has released a revised version of International Standard on Auditing (ISA) 540 (Revised) for the audit of accounting estimates and related disclosures.

This revised standard is the first to be completed as part of the IAASB's broader programme, addressing the Fundamental Elements of an Audit, and is an important part of the IAASB's efforts to improve audit quality globally.

The revisions include:

1. An enhanced risk assessment that requires auditors to consider complexity, subjectivity and other inherent risk factors in addition to estimation uncertainty. This will drive auditors to think more deeply about the risks inherent to accounting estimates;
2. A closer link between the enhanced risk assessment and the methods, data and assumptions used in making accounting estimates, including the use of complex models;
3. Specific material to show how the standard is scalable to all types of accounting estimates;
4. Emphasis on the importance of applying appropriate professional scepticism when auditing accounting estimates to foster a more independent and challenging sceptical mindset in auditors.

ISA 540 (Revised) becomes effective for financial statement audits for periods beginning on or after 15 December 2019.

ETHICS

The International Code of Ethics for Professional Accountants: Key Areas of Focus for SMEs and SMPs

In early April 2018, the IESBA released a completely rewritten and revamped Code of Ethics for professional accountants (PAs). Renamed "International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code" or "the revised and restructured Code"), the Code will become effective in June 2019.

It packages all substantive advancements in ethics and independence over the last four years into a single document and includes the new provisions relating to non-compliance with law and regulations ("NOCLAR"), which are already effective since July 2017, and the revised independence provisions relating to long association which comes into effect in December 2018.

Key Areas of Focus

The fundamental principles within the Code – integrity, objectivity, professional competence and due care, confidentiality and professional behaviour – establish the standard of behaviour expected of a professional accountant (PA) and it reflects the profession's recognition of its public interest responsibility.

Those fundamental principles as well as the categories of threats to them – self-review, self-interest, advocacy, familiarity and intimidation threats are unchanged. Also unchanged, are the overarching requirements to apply the conceptual framework to comply with the fundamental principles and where applicable, be independent. In addition to the structural revisions made to the entire Code, the substantive revisions include:

- An enhanced conceptual framework, which includes extensive revisions to "safeguards" throughout the Code that are better aligned to threats;
- Strengthened independence provisions regarding long association of personnel with audit clients;
- Strengthened provisions relating to offering and accepting of inducements, including gifts and hospitality that apply to both PAs in business ("PAIBs") and PAs in public practice ("PAPPs");
- Strengthened provisions dedicated to PAIBs, including:
  - A new section relating to pressure to breach the fundamental principles; and
  - Revised provisions relating to the preparation and presentation of information.
- Clarifications about the applicability of PAIB provisions to PAPPs;
- New material to emphasize the importance of understanding facts and
- circumstances when exercising professional judgment; and
- New material to explain how compliance with the fundamental principles supports the exercise of professional scepticism in an audit or other assurance engagements.

2019 BUDGET TECHNICAL UPDATES

Legal and Regulatory changes

On 1st January 2019, the tax changes that were announced by the Minister of Finance Honourable Margaret Mwanakatwe in the budget presentation under the theme "Delivering Fiscal Consolidation for Sustainable and Inclusive Growth" became effective except for sales tax which will be effected on 1stApril 2019. In this edition, we highlight the Tax Measures that will be effective on 1stJanuary 2019.

Direct Taxes

Under direct taxes the following measures have been implemented:

- Reduction of the Corporate Income Tax rate from 35% to 15% for companies that add value to copper cathodes.
- Increase Withholding Tax ("WHT") rate from 15% to 20% on interest, dividends and remittance of branch profits to non-residents.
- Limit interest deductions to 30% of the earnings before interest, tax, depreciation and amortisation when ascertaining the taxable income of a company. We proposed for the creation of carry forward provisions from the period of loss making. But businesses are allowed carry forward their interest expenses to next charges.
- Abolish the current Turnover Tax regime and reintroduce a flat rate of 4% on business turnover below K800, 000.

From the Mineral Royalty regime the following are the government has implemented the following measures;

- Make Mineral Royalty Tax a non-deductible expense for Corporate Income Tax purposes
- Increase mineral royalty rates by 1.5 percentage points at all levels of the sliding scale and further introduce two tiers of mineral royalty rates of 8.5% and 10% of the norm price of copper that will apply when price reaches $7,500 and US$9,000 per metric tonne or higher as shown in the table below:

Mineral Royalty Tax Scale	2019	2018
Less than $4,500	5.5%	4%
$4,500 < $6,000	6.5%	5%
$6,000 < $7,500	7.5%	6%
$7,500 < $9,000	8.5%	N/A
$9,000 ≥	10%	N/A

- Increase the mineral royalty rate on cobalt from 5 percent to 8 percent

Extension of assessment to not more than 10 years

- Increase in penalty for non-compliance with the transfer pricing regulations from 10,000 penalty units (K3000) to 80 million penalty units (K24, 000,000)
- The new tax law allows an assessment in respect of transfer pricing cases to be made not more than 10 years after the end of the charge year to which the assessment relates.

Retention of Documents and other information relating to the Business transactions for a period of ten years.

The amendment to Section 55 of the Income Tax Act extend the provisions of transfer pricing regulations for the 10 year rule to other business as a friendly tax avoidance measures.

Casino, lottery, betting and gaming taxes

The Government has abolished the 20 percent Casino Levy and replace it with a new tax regime as follows:

- Casino live games at 20 percent of gross takings;
- Casino machine games at 35 percent of gross takings;
- Lottery winnings at 35 percent of net proceeds;
- Betting at 10 percent of gross stakes; and
- Gaming at K250 to K500 per machine per month

VALUE ADDED TAX

The Government has implemented the following measures under the Value Added Tax (VAT) provisions;

- Abolish the Value Added Tax system and replace it with a Sales Tax system. Sales tax is a consumption tax imposed by the government on the sale of goods and services levied at the point of purchase from the consumer. Unlike VAT which is deductible by the seller of goods and services, sales tax is non-refundable. It is an example of an ad valorem tax that is based on the price of the item sold. The effective date for the implementation of Sales tax is 1stApril 2019.

Definition of Electronic fiscal device

The Minister proposes to replace the definition of "fiscal cash register" with "electronic fiscal device" and defined it as an electronic device approved by the Commissioner General, which has a fiscal memory, capacity to generate and record tax invoices and other reports and to transmit invoice data in real-time to the Zambia Revenue Authority Tax Invoice Management System and includes a Fiscalised electronic register, electronic fiscal printers and electronic signature devices. The measure broadens the definition as an electronic cash register is one type of electronic fiscal device;

Prosecution of Directors or Managers of a company in case of offence.

The Minister proposes to amend the VAT Act to make every Director and Manager of a company liable, upon conviction, for offenses committed by the company, as if the Director or Manager had personally committed the office. The measure will bring in the practical aspects of charging a corporate entity so that a charge for an offense by companies is attached to the individuals responsible for its affairs;

Treatment of trade and cash discounts

The measure seeks to provide a legal basis for the current practice where unlike trade discounts, taxpayers are required to account for tax on the gross prices as opposed to the discounted price where they offer a cash discount. This measure aims to align legislation with practice.

CUSTOMS AND EXCISE DUTY

The Government has implemented the following measures under Customs and Excise Duty:

- Introduction of Export Duty on precious metals including gold, precious stones and gemstones at the rate of 15%;
- Increase of export duty on manganese ore and concentrate from 10% to 15%.
- Introduce 5% Customs Duty on importation of Copper and Cobalt Concentrates
- Introduce Excise Duty of 30 ngwee per litre on non-alcoholic beverages
- Increase Excise Duty on plastic carrier bags to 30% from 20%
- Increase Customs Duty on used and re-treaded tyres from 25% or K3 per Kg to 40% or K5 per Kg
- Increase Customs Duty on powdered milk to 15% from 5%
- Increase in the period of absence from Zambia required for a returning resident to qualify for a rebate on Customs Duty payable on a motor vehicle per household from 2 to 4 years
- Removal of Customs Duty rebates in the construction of shopping malls
- Suspension of Customs Duty on Light Emitting Diode (LED) lights
- Lift the ban on the export of raw hides and skin and introduce an Export Duty of 10%. ■

HAVE A 'CAN DO' ATTITUDE

Humphrey Mulenga, Chief Operating Officer of Deloitte Zambia, one of the accountancy luminaries, has advised the Zambia Government to strictly follow through the austerity measures recently announced to prevent the country's debt situation getting out of control.

In in this interview with Moses Chitoshi, Mr Mulenga also advises upcoming accountants to always maintain professional integrity, no matter the level of temptation.

Q: Who is Humphrey Mulenga (family – Parents and siblings; when and where you were born; spouse and children)?

A: I was born in 1973, which, incidentally, was precisely when the great oil crisis struck and the nationalisation of our mines was fully effected! I am the firstborn son of Mr Fenny Mulenga and Mrs Mary Mulenga. I have eight siblings – 4 sisters and 4 brothers. The large family ensured that we had a very exciting and eventful childhood. On that score, I must concede that my wife, Mem, and I have dismally failed to match my parent's sterling record! We have two kids, Mapalo and Natasha.

Q: Which schools did you attend (Primary, secondary, tertiary)? What were your favourite subjects?

A: My formative years were on the Copperbelt, in the then pretty town of Luanshya. Much like all Copperbelt towns of that era, Luanshya had excellent amenities (cinemas, swimming pools, sports facilities etc.), which made for a fantastic and fun filled childhood.

Both my dad and granddad were miners. I was privileged to have had the rare opportunity to attend primary school at Luanshya Trust – the school was part of a network of extremely well run educational institutions operated by the mines, back in the day.

In grade six of my primary school (I was 11 at the time), my dad made the decision to leave the mines for pastures new and joined the Nitrogen Chemicals of Zambia. We relocated to Kafue Town at that point where I completed the later part of my primary school and secondary school, at Naboye. The shift from a fully urbanised town to a semi-urban Kafue setting was an interesting and eye-opening experience. This was my first true test in managing significant change. One can choose to crumble or alternatively quickly adapt in a new setting. I consciously choose the later. Looking back, I think this experience marked a major turning point in my view of school and the need to focus and be self-driven. I was an average student at the swanky Luanshya Trust School where everything was available, on a silver plate almost. At the Government schools in the semi-urban setting in Kafue, facilities were most basic; they were no frills. I quickly figured-out that to make it in this new environment, I had to put in extra personal effort and not merely rely on the teacher and the related school support system. The resilience I had to muster in this new setting was to board well for me, for many years to come – a great life lesson. The comparatively challenging environment transformed me from an average Luanshya Trust School boy to a permanently top student!

At secondary school, I enjoyed both the commercial subjects (accounts and commerce) and the pure sciences (physics, biology, chemistry), in equal measure. In terms of career choice, I was split right down the middle between accountancy and medicine. Following wide consultations, including several parent-arranged meetings with practicing accountants and other professionals, I settled for accountancy. In those days, ZCCM used to offer professional accountancy scholarships to deserving students with outstanding O-level results, following gruelling aptitude tests conducted by their internal Talent team. I was very fortunate to be offered a fully funded scholarship to study ACCA under this scheme and will remain eternally grateful to the mining conglomerate for the opportunity I was accorded.

I worked for the mines for a year as a Cost Accountant at the then Power Division of ZCCM (now CEC plc) in Kitwe. As a young and ambitious chartered accountant, with a year's experience in industry, I was at the receiving end of several job offers, including unsolicited ones. However, I was keen to sharpen my professional accounting skills and in November 1996, I made the decision to join Deloitte in the Lusaka office. I have never looked back as they say and the rest is history.

Q: In a word or two, how would you describe your experience at Deloitte & Touché over the years?

A: My experience at Deloitte has been simply phenomenon. It's been extremely fulfilling.

Q: Looking back over the years what major highlights in your career can you share? What were the key drivers of those highlights? Any lows you experienced?

A: When I joined Deloitte, I spent my first few years in audit. Exposure to the workings of companies in different industry sectors is exactly what I wanted. I was not disappointed. I had the opportunity to lead numerous assignments as engagement audit manager in a wide range of economic sectors. My clients included several blue chip companies, including Zambian Breweries Plc, National Milling Corporation, Total Zambia Limited etc., which was fantastic. I thoroughly enjoyed audit and learnt a great deal working with various seasoned senior managers and partners of the day e.g. Chisanga Chungu, Brian Hill, Andrew Chatburn etc.

In the early 2000s, I thought I needed to broaden my horizons further and accepted an internal transfer to Advisory. This gave me the opportunity to work on a wide range of corporate finance and consulting projects. The diverse nature of the work (receiverships, acquisitions, liquidations, forensic investigations etc.) we did back in those days, was brilliant. It was a truly refreshing experience having come out of audit. It also gave me the opportunity to work more closely with vastly experienced partners of the time, including Nobert Chiromo, Norman Mbazima and George Sokota, which was great.

In 2004, I happened to be part of a joint Deloitte UK and Zambia team working on the due diligence assignment for Vedanta Resources Plc, as part of the KCM acquisition. It was an intense and demanding assignment, but I absolutely loved the work. My passion for corporate finance was clear to both the Deloitte Zambia and UK leadership. At the end of the engagement, the partnership offered me an opportunity to go on secondment to the United Kingdom, in Corporate Finance. I seized the opportunity and relocated to London towards the end of 2004, with my wife, Mem. The initial plan was to spend a year or two in the UK. However, it was not to be. We fell in love with the country and ended up living there for eight years. It was a fantastic experience from both a professional and personal viewpoint. Rising to Assistant Director in the London office of Deloitte UK, I had the opportunity to work on numerous and high profile corporate finance assignments around the world, including:

- The $2.1 billion acquisition of the Turkish spirits company, Mey Icki Sanayi Ve Ticaret, by Diageo Plc in 2011;

- The independent business review of Stahl Holdings B.V., a leather manufacturer in Waalwijk, Netherlands;
- The financial restructuring of the British Vita Group (a leading manufacturer of petro-chemical based products used in the home furnishing and auto sectors) at the height of its financial distress in 2009, following the global economic downturn of 2008; and
- The listing of Russia's largest gold producer, Polyus Gold.

The experience I got working with top Deloitte UK corporate finance partners and other professionals (Iain McMillan, Wayne Thomas, Andrew Grimstone, Jason Davies, Penny Avis, Maxine Saunders etc.), was in valuable.

A "memorable" highlight in my work travels was an experience I had in Jakarta, Indonesia, where I was leading a due diligence assignment on behalf of Fitness First, a leading UK based gym operator. Coming from a late project team meeting at around midnight on 8 August 2007, I had barely entered my 16th floor hotel room when I felt the whole building shake under my feet and doors banging wildly. A powerful magnitude 7.5 undersea earthquake had struck off Indonesia's main island of Java and was shaking the entire city of Jakarta. I survived unscathed, but it was a terrifying experience and a great lesson in resilience and the need to remain clam, under pressure!

In 2012, we finally made the decision to come back home to Deloitte Zambia, having doubled our family size since we moved to the UK, in 2004 - we had, had two lovely kids over that time Mapalo (born in 2005) and Natasha (born in 2009).

As Chief Operating Officer for Deloitte Zambia, I am involved in general practice management encompassing oversight over finance, IT, talent management etc. I also continue to support the Deloitte Africa Managing Partner for Corporate Finance, as Corporate Finance Leader for Zambia, Malawi, Zimbabwe and the surrounding region.

Q: What is your word of advice to the upcoming professionals?

A: My number one advice to upcoming professionals is for them to always maintain professional integrity, no matter the level of temptation. It's the bedrock of every profession. Cutting corners for short term benefits does not pay. I would also urge them to pursue their dreams and have a "can do" attitude. In this regard, one of my favourite sayings is by Henry Ford: "*Whether you think that you can, or you can't…you're right!*"

Q: As we reflect on the year 2018, which has just come to a close, what is your perspective on the key economic trends for the year?

A: There have been numerous positive trends in 2018, including in a number of key metrics that would-be investors and the private sector in general, tend to focus on as part of their strategic considerations. Just to pick on few:

Ease of Doing Business: Zambia's Ease of Doing Business ranking, tracked by the World Bank, improved from 111 in 2015 to 87 for 2019. This was principally driven by:

Strengthened access to credit: by adopting a new Movable Property Act.

Trading across borders: Enhanced functionality to the ASYCUDA system, which reduced the time to complete documentary and border compliance by ~ 30 per cent.

Paying taxes: Zambia made paying taxes easier by introducing an online platform for filing and paying taxes

Global Competitiveness: The Global Competitive Index ("GCI") is tracked by the World Economic Forum based on selected variables organised in twelve pillars, with each pillar representing an area considered as an important determinant of competitiveness.

The twelve pillars include: institutions, infrastructure, ICT adoption, macroeconomic stability, higher education and training, health & primary education, financial system, market size, business dynamism and innovation capability.

The Global Competitiveness index ("CGI") ranking for 2017/18 indicates that Zambia has retained its 118th ranking out of the 137 countries assessed:

Zambia's best performing pillars were: strength of institutions (84) and goods market efficiency (87)

Zambia's least performing pillars were: quality of infrastructure (124) and health & primary education institutions (122) and higher education and training (121).

Broadly stable macro economic environment: Certain key macro economic indicators have been broadly stable:

Inflation has remained in single digits (c.8%).

GDP for 2018 projected to close at 4%.

Infrastructure focus: The visible focus on infrastructure (roads, energy etc.), as an enabler to sustained economic growth, is positive. However, Government does need to focus on sustainable financing of these projects, through prudent debt management.

Q: What are some of the top business issues impacting the private sector, based on your wide interaction with various organisiations in your role as Chief Operating Officer and Corporate Finance Partner at Deloitte?

A: Notwithstanding the numerous positive trends I have just mentioned, there are a number of key issues that the private sector are concerned about:

Slow pace of GDP growth

GDP growth for both 2018 and 2019 is projected at 4 per cent.

Further based on the Medium Term Expenditure Framework dated 6 Sept 2018, GDP growth over the medium term (to 2021) is also projected to be in the 4 per cent pa range, which is low, particularly when one considers that the population growth rate for Zambia is c.3 per pa.

In order for the country to really "take off" and post an impactful change in the country's fortunes, a more ambitious GDP growth rate should be strived for.

In order to make a demonstrable dent in poverty reduction, I would argue that a GDP growth rate of at least 8 per cent should be the target. To achieve this, close collaboration between Government and the private sector would be required.

One suggestion is that a special task force of technocrats from the public sector, the private sector and academia be appointed (as a special advisory body to Government), with the core remit of exploring practical specific measures needed to achieve a more ambitious GDP growth rate over the medium term (5 – 10 years).

Public debt perceived as high and rising too quickly

Public debt is perceived as high and rising too quickly, posing a threat to macro economic stability – as at 30 Sept 2018, external and domestic debt were reported to stand at USD9.5 billion and USD4.4 billion respectively.

The 2019 budget projects over 27 per cent of total spend to be debt service related.

To avoid the debt situation running out of control, I would urge Government and the Minister of Finance in particular, to:

- Strictly follow through on the austerity measures recently announced; in particular:
- Postpone the contraction of pipeline debt wherever feasible.
- Cancel current contracted loans for non essential projects, subject to proper evaluation of termination implications/clauses.
- Immediately implement the subjection of capital projects (which are typically loan funded), to independent investment appraisal processes.

The critical need to contain the debt situation, cannot be over emphasized.

Critical gaps in quality of the country's talent base

The country's talent base, particularly at the artisan level, needs to be strengthened via a deliberate focus on investing in quality artisan level training institutions to produce quality technicians that industry so desperately requires to improve productivity.

In order to improve Zambia's competiveness, including supporting a more robust GDP growth rate, targeted investment in the country's people would be required:

The 2017-18 Global Competiveness Index tracked by the World Economic Forum confirms that Zambia's least performing pillars include education institutions (i.e. 122 out of 137 countries).

Numerous private sector players, including the mining industry indicate the there is significant scope for improvement particularly at the artisan level (welders, machinists, electricians, bricklayers etc.).

International universities (e.g. Oxford) are reported to be recalibrating the rating of Zambia's universities to "college" status as they are perceived not to meet the requisite standard. This is a significant and timely warning, especially given the rapid mushrooming of universities in recent years.

Given the above, Government should:

Urgently and deliberately focus on investing in artisan level institutions that will produce quality technicians that industry so desperately requires, to improve productivity. Well trained Artisans are also more likely to be employed swiftly or become entrepreneurs.

Urgently streamline its higher education policy by focusing on "quality rather than quantity" - it would arguably be more beneficial to have a few well funded and regulated universities as opposed to a plethora of universities that churn out graduates of a low standard, who are unlikely to be assimilated by industry. ■