The Accountant

Zambia's Accountancy Journal

ZiCA

Zambia Institute of Chartered Accountants

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Competency, Integrity and Virtue

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IT'S TIME TO INVEST

It's with tremendous pleasure that I welcome you to our second edition of the Accountant Journal. I wish to inform you that the Institute has continued with its diversification strategy as we reported at the last 34th Annual General Meeting. We have made significant progress in the Shungu Namutitima International Conference Centre (SNICC) project in Livingstone and the mixed-use project at the Accountants Park in Lusaka as reported in the annual report.

The SNICC project will result in the creation, during and after the construction phase, of at least 500 direct jobs. In line with the Government's drive for economic diversification, SNICC will contribute premier hotel bed space to Livingstone and will also provide Livingstone with the much-needed international convention centre. The 5,000-seater international convention centre will enable Livingstone and the country host large international conferences, which will enable the tourist capital to be added to the international circuit for large conferences.

Jason Kazilimani Jr
ZICA PRESIDENT

This will positively impact Livingstone's lodging, hotels and tour operators industry in addition to contributing to traffic for the aviation industry. ZiCA is resolved in realising the vision of the SNICC and wishes to thank numerous stakeholders, including the Government of His Excellency President Edgar Chagwa Lungu, for the support and goodwill being rendered to the Institute in its pursuit to develop the SNICC. With the continued support of the Livingstone community, civic, political and royal leadership, coupled with the support from the central Government, I am confident that we will be able to deliver the SNICC.

The road to long- term sustainability will not be an easy one. There is need for sacrifice from the members of the Accountancy profession and the Institute for the common good of the future Accountancy profession. The Institute remains committed to achieving these milestones, which will change the face of the profession forever. I take this opportunity to encourage you colleagues in the profession to acquire shares in the ZICA Property Fund in order for the Institute to achieve this milestone.

Additionally, ZICA entered into a property development partnership and ownership agreement with Time Projects Property Limited (Time) to Design, Finance, Build, Operate and Transfer an ultra-modern multi-purpose commercial property complex at the Accountants Park.

Time Projects Property Limited (Time) is pleased to offer to qualified investors to take up office space at the ultra-modern multi-purpose commercial property complex at the Accountants Park. The project provides an investor a unique and viable development opportunity that is strategically located in the nucleus of a dynamic market that is under-served and is amenity and retail starved. The project's highest and best use and development plan align with the city's vision to position the area to an original open-air retail look and feel format serving as a downtown core and anchoring the city's retail distinction. The Property's central location, site size and configuration, proposed core components and amenities, provide significant opportunity to be part of the development.

The project will be developed in phases and Phase 1 of the ultra-modern multipurpose commercial complex will have four (4) separate buildings.

As with all Time developments, they will be providing a quality product with high-end finishes, good tenant spacing in the buildings, adequate on-site parking and rentals at a very competitive level.

Time has now commenced the pre-leasing of prime office space for the Accountants Park. Members interested in taking up prime office space in the proposed multi-purpose commercial property complex at the Accountants Park should quickly engage Time as space will be given out on a first come first served basis. Pre-leasing engagements are also currently ongoing with blue chip corporations.

We wish to also inform you that targeted investor meetings with ZICA members on the ZICA Property Fund are planned for the year 2019, and the investor roadshows calendar will be circulated to members periodically. For information on the ZICA Property Fund and how a member can acquire units under the ZICA Property Fund, please contact ECR as per contact details in the attached ZICA Property Fund Investor Presentation on the website link *https://www.zica.co.zm/zica-property-fund/*. You will also find on the website the company profiles for Time which shows their track record and experience in developing and managing prime investment properties in both Zambia and Botswana. It's time to invest and secure the future generation.

ADOPTING IPSAS

Bonna Kashinga
ZICA CEO

OFFICIATING at the 34th Annual General Meeting (AGM) of the Zambia Institute of Chartered Accountants (ZICA) at the Avani Victoria Falls Resort on May 25, 2019, then Minister of Finance Margaret Mwanakatwe made a profound announcement about the Government's resolve to adopt and implement the International Public Sector Accounting Standards (IPSAS).

She informed the members that Parliament last year enacted the Public Finance Management Act No.1 of 2018.

This Act, according to the Minister, is aimed at providing for an institutional and regulatory framework for the management of public finances.

"The Government is committed to the effective implementation of this Act in order to safeguard public resources. I would like to appeal to all accountants in both the public and private sectors to desist from misappropriating funds," she appealed.

"As you may be aware, the Government has chosen to adopt International Public Sector Accounting Standards (IPSAS) by 2024 as the financial reporting framework for the public sector. The Government will be looking to partner with the Institute on the provision of technical assistance towards capacity building for the public sector on the IPSAS' implementation."

This is a commendable resolve by the Government. ZICA therefore welcomes the Government's invitation to help in the provision of technical assistance towards capacity building on IPSAS implementation.

Dear reader, International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

IPSAS are developed by the IPSASB. They are the public sector equivalent of International Financial Reporting Standards (IFRS), which apply to private sector companies and are developed by the International Accounting Standards Board (IASB).

The IPSASB supports reporting on an accrual basis and considers that financial reports prepared under the cash basis of accounting do not adequately address the needs of report users. However, cash–basis reporting is still used by many Governments, including Zambia. The IPSASB developed its cash–basis IPSAS, Financial Reporting under the Cash Basis of Accounting, to improve the quality of Governments' cash–basis financial reporting. The IPSASB considers that governments should use the cash-basis IPSAS as a stepping stone towards adoption of accrual–basis IPSAS.

According to the Handbook of International Public Sector Accounting Pronouncements (https://www.epsas.eu/en/ipsas-the-standards.html), as at February 2015, the IPSAS had 38 standards based on an accrual-based accounting system and one standard for cash-based accounting. A lot of capacity building will be required to effectively implement and ZICA encourages members, both in public and private practice to acquaint themselves with these standards.

There are obvious benefits to be derived from implementation of IPSAS, whose major focus is on improving the quality of general purpose financial reporting, leading to more informed and fiscally efficient decision-making by Governments, while simultaneously increasing transparency and accountability.

Other countries like Switzerland, Austria, Netherlands, France, and some International organisations have either fully or partially implemented IPSAS. Zambia's resolve is therefore in synch with International trends and best practices.

Just like the World Health Organisation states in a report, implementation of IPSAS has its main benefits including; increased transparency, providing a better understanding of the Government's financial performance, greater accountability to make informed decisions about resource utilisation, improved financial information to support governance, management of assets and decision-making.

Government financial information is used by a variety of stakeholders. Public entities are accountable for the utilisation of public funds and must ensure that the highest levels of transparency exist across financial processes. It should also provide a reliable basis for evaluating the current financial position and past performance for decision-making purposes.

The other benefit to be derived from implementation of IPSAS is that it leads to transparency, inventory and performance assessment. Transparency and accountability are arguably the greatest motivations, by many actors, for adopting IPSAS. Transparent accrual-based financial statements help Governments to demonstrate, and users to evaluate, accountability in the use of public funds. According to Brian Quinn, director at the World Bank, "Research has shown that more transparent countries have better credit ratings, better fiscal discipline, and lower borrowing costs."

IPSAS aims to improve the quality of general purpose financial reporting by public sector entities, leading to better informed assessments of the resource allocation decisions made by Governments, thereby increasing transparency and accountability.

FIVE JOBS GAINING INCREASING IMPORTANCE TO INNOVATION

Getting senior management in an organisation to take ownership of innovation activities remains a minefield because very few people are willing to take that role mainly because of the risks and uncertainty inherent in innovation. Innovating can be a wonderful experience. When an idea succeeds, everyone wants to be associated with it and will overstate their role into getting it to fruition. On the other hand, if it fails everyone wants to wash their hands off it and get as far away from it as possible. In this article we explore what jobs we consider will be playing an increasingly important role in most organisations' innovation drives.

CHIEF OPERATING OFFICER (COO)

Where an organisation is already being led by an innovation-driven Chief Executive Officer (CEO), it is more important than ever to have a more corporate driven COO. This is because an innovative driven CEO is likely to be fixated on championing the generation of one innovative project after another and pushes the organisation to undertake risks on projects that are more generic and risk-averse corporate executive would not entertain. An innovative CEO's investment decisions will be anchored mostly on their instinct of what they regard as the next big thing without bothering too much on realising the commercial potential of their innovations. One weakness that plagues serial innovators is the unwillingness to get bogged into the details of implementation as they easily get distracted chasing the next big innovative idea. The role of the COO in this instance is to institute a sense of discipline in the organisation by being more practical and ensuring that every project is fully appraised and implemented to ensure that their commercial potential is harnessed.

On the other hand, if the CEO is corporate driven, having an innovative driven COO ensures that the business does not get too comfortable with the status quo. In the current environment, a business can only live off its current innovations for so long before alternate low cost competitors, disruptors or suppliers keen to take advantage of any weakness in the organisation's offering come sniffing. An innovative driven COO will champion innovations being generated at a corporate level to ensure they get adequate attention. An innovative COO will also be constantly questioning the status quo and try new ideas and is able to live comfortably with the risks prevalent in the turbulent innovative environment.

Irrespective of the CEO's leanings regarding innovation, the COO brings discipline and commercial acumen to an innovation-fixated CEO whilst providing risk-taking and aversion to the status quo to more corporate driven CEOs. For either of these to work, the COO has to be given the appropriate seniority and a voice loud enough to be heard throughout the organisation.

INNOVATION CHAMPION (INC)

The next best thing to having an innovative COO or CEO is to have an Innovation Champion (InC), who is largely a senior person the organisation tasks to ensure innovations have visibility at the corporate level and give relatively junior level innovators a voice. The InC's role as the name suggests is to add innovative activities as part of their daily remit in addition to operating as a functional CFO, CIO or CMO for example. Multiple InCs can be appointed to avoid them being outvoted in board meetings and to ensure continuity in the event of one leader leaving by allowing the remaining leaders to ensure the programme continues.

Having a functional InC also demonstrates credibility in the leader when they make relatively unreasonable demands for innovation from the workforce, especially when they themselves can exhibit the same innovative ethos in their own functions that they demand from the workforce signifying that they share the same vision and are not just there as a cheerleader.

CHIEF INNOVATION OFFICER (CINO)

Another role that is a step further than Innovative Champion is that of a Chief Innovation Officer (CInO). A job that would most likely have been regarded as a "weird" job title is quickly gaining prominence in most large corporations. Most companies now regard innovation as a key skill requirement when hiring a CEO. According to the website www.thechiefinnovationofficer.com, 43 per cent of most large corporations in 2012 had a single senior executive formally accountable for innovation. The aim is largely to ensure that innovation efforts are deliberate and not just a byproduct of other day-to-day activities. This role manages the innovative strategy by ensuring activities are well collaborated to avoid businesses self-disrupting through uncoordinated innovations and to allow the CEO or functional officials to concentrate on running the business instead of policing internal innovation. This role allows innovation to have a voice in the upper echelons of power than in the past due to shareholders' penchant to prioritise short-term ROI and EPS performance over long-term prospects.

According to www.thechiefinnovationofficer.com, the role greatly recognises that innovation goes beyond the product and by recognising the need to form strong innovation-driven coalitions and alliances among functional executives such as the CMO, CIO, COO or CFO suggests that organisations are paying more attention to the potential value that process innovation offers by concentrating innovation on more downstream activities such as marketing, IT and customer servicing. The CInO's role results in a dedicated and surgical approach to innovative activities within the organisation

HUMAN RESOURCES MANAGER (HRM)

The most important asset an organisation has to enhance innovation is not the leadership or ability to pay more, but its people. The HRM's role's importance in addition to developing and anticipating innovative capabilities that allow innovative talent to thrive is the ability to create an innovative friendly environment where ideas can connect. One of the main components of a sound innovative environment is the creation of a culture where innovativeness is considered a key characteristic. An innovative culture cannot just be a collection of activities that HR espouses or practices, it has to be a distinctive characteristic that is inherent in the organisation. Another important area is the creation of an organisation structure that allows ideas to flow by allowing staff to communicate freely with senior managers when they have ideas and encouraging senior officials to listen without being too fixated with authority and rank.

The HRM's main role is to assess the challenges employees face applying their innovative skills to get a better sense of the gaps which exists within the organisation's structure, culture or skills matrix and move to plug them.

CHIEF INFORMATION OFFICER (CIO)

In addition to most innovation needs being driven by information technological advances, the implementation of the correct innovation communication strategy plays a fundamental role in an organisation's innovativeness. When people in the organisation are tasked to generate innovative ideas; ideas will come from all areas and it is therefore important that those ideas are given a platform to be communicated, evaluated and feedback given as to their viability.

The most important role for the CIO is to ensure the vision being projected reinforces the values desired by the organisation by bringing to the forefront and the values supporting innovation are consistent with what the workers and/or customers expect.

In conclusion, our hope is that this article will help organisations to think how employees in their organisations can work together and help enhance innovation, allowing them to benefit from having the right officials to champion it.

These roles' pro and cons are summarised below:

SUMMARY

Role	Interaction	Key Tasks	Advantages	Disads
COO	CEO	Act as CEO balance	Balances out CEO	Might be too similar to CEO
	Management team	Raises innovation profile	Raises innovation profile	Unlikely to interact effectively with junior workforce
			Innovation gain a strong voice at corporate level	Might over-advocate CEO or Corporate viewpoint
InC	CEO	Raises innovation profile	Raises innovation profile	Might be a problem if not senior enough
	Management team	Act as Innovation bridge Between workforce and Management team	Wide pool of Managers to choose from	Own function may receive priority during resource allocation
	Workforce all levels	Use own function as example in innovativeness	Own functions may act as good innovation example	Bad role model if own function not innovative
CInO	CEO	Raises innovation profile	Raises innovation profile	Innovation drive might lose natural progression
	Management team	Act as Innovation bridge Between workforce and Management team	Concentrate purely on innovation	Might be accused of interference by functional officials
	Workforce all levels	Promote innovation on a full time basis	Improve interdepartmental collaboration	Role relatively new - not yet fully defined
HRM	CEO	Develop Innovative Talent	Helps with culture development	Might over-direct by issuing directive performance objectives
	Management team	Develop Culture	Chance to widen performance metrics' scope to include innovation	May not have strong commercial insight
	Workforce all levels	Develops performance objectives / reward system	Chance to target innovative talent when recruiting	Might over-advocate Corporate viewpoint
CIO	CEO	Develop innovation communication strategy	Platform to report project status and operational gaps requiring innovation	Might only concentrate on "successful" stories
	Management team	Communicate culture	Ability to formulate internal and external bridge	Might be hampered by confidentiality concerns
	Internal/External Stakeholders	Tell innovation-supporting success/failure stories	Possesses technological tools to disseminate/receive information efficiently	Over-advocating corporate viewpoint might have wider anti innovation ramifications

Abbreviations

CEO Chief Executive Officer
CInO Chief Innovation Officer
CIO Chief Information Officer
COO Chief Operating Officer
HRM Human Resources Manager
InC Innovation Champion

SUMMARY

Role	Interaction	Key Tasks	Advantages	Disads
COO	CEO	Act as CEO balance	Balances out CEO	Might be too similar to Corporate/innovative CEO
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CIO Chief Information Officer
COO Chief Operating Officer
HRM Human Resources Manager
InC Innovation Champion

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ZICA URGES GOVT TO DEFER SALES TAX EFFECTIVE IMPLEMENTATION DATE TO JANUARY 1, 2020

DRAWING on its statutory mandate to advise the Zambian government on matters relating to the economic development of the country, the Zambia Institute of Chartered Accountants (ZICA) council through President Jason Kazilimani Jr. at the second quarter **2019 media briefing shed light on the following issues:**

The 2019 Sales Tax Amendment Bill;

Auditor Rotation Rules: Clarification on Companies Act No.10 of 2017;

ZICA Reporting Requirements on Persons Holding Out Directives of 2019;

Enactment of the Accountants Bill 2019; and

Highlights on CA Zambia and ZICA Diploma Qualifications.

2019 Sales Tax Amendment Bill

As you may be aware the Minister of Finance in her 2019 Budget Address indicated the Government's intention to introduce Sales Tax. Subsequent to that address, the Government issued the 2019 Sales Tax Amendment Bill (The Sale Tax Bill) which is intended to repeal and replace the Value Added Tax Act of 1995. The Sales Tax Bill introduces a sales tax on the supply of goods in the Republic on manufacturers, producers, distributors, wholesalers, and retailers and on the importers of goods into the Republic of Zambia. It also introduces a sales tax on the provision of services.

The Institute took time to analyse the Bill and shared its position on the possible impacts of the proposed Sales Tax Bill with the Government through submissions made to the Zambia Revenue Authority Technical Committee on Sales Tax and to the Joint Parliamentary Committee on Budget and Economic Affairs, Trade and Labour Matters of the Parliament of the Republic of Zambia. Additionally, members of the Institute had the privilege to engage with the Minister of Finance on the Sales Tax Bill at the Institute's 34th Annual General Meeting on 25th May 2019 in Livingstone. We wish to commend the Government, through the Ministry of Finance, for welcoming submissions from ZICA, other key stakeholders and the general public through various fora, including the provincial road shows which the Minister of Finance, her team and ZRA undertook to sensitise the business community and public on the Bill and to also obtain comments and concerns from the public. It is our expectation as an Institute that the Government will take into consideration the various submissions given by various stakeholders on the Bill so as to design a Sales Tax regime, which will not result in an adverse effect on employment rates, the cost of doing business and the economy at large.

The Institute is cognisant of the fact that a well-designed Sales Tax could potentially spur local production and also lead to higher revenue for the fiscus. However, as an Institute we are also concerned that a poorly designed Sale Tax regime could present significant downside effects on the economy. Key issues which the Institute hopes will be resolved are as follows:

Minimising the cascading effect: In its current form, the 2019 Sales Tax Amendment Bill could result in the escalation of the price of goods and services through the cascading effect of sales tax along the value chains of goods and services. This is mainly due to the lack of the refund or tax credit mechanism in Sales Tax which potentially could result in the increase of the price of goods and services at a rate of 9% (or whatever rate will be prescribed in the finalised legislation) at each transaction point of goods and services. Businesses could attempt to counter this by altering their supply chains through eliminating distributors which could result in job losses and loss of amounts obtained from other tax revenue types such as PAYE. We would urge Government to ensure that the sales tax exemption schedules and mechanisms are comprehensive based on submissions from various stakeholders. We also suggest that a single rate of sales tax on both imports and locally sourced goods and services be implemented. Should a single rate not be possible, we would propose that a rate not exceeding 5% be set for locally sourced goods and services to minimise cascading effect of sales tax;

Insufficient Implementation Time: The proposed effective date for Sales Tax of 1st July 2019 or any other date within this calendar year, does not provide sufficient time for firms and institutions to re-configure their systems for Sales Tax. We propose that the Government considers changing the effective implementation date to 1st January 2020 to enable any required systems changes to be made as well as allow a period for better budgeting and forecasting, with known Sales Tax rates.

ZICA has provided a comprehensive paper on the 2019 Sales Tax Amendment Bill, with key recommendations, to Government, which addresses other issues which need to be considered in coming up with the final Sales Tax regime for Zambia. We urge other stakeholders to similarly engage Government and submit their comments on this important tax proposal. ZICA will continue to also hold Tax Update Workshops, which will cover Sales Tax as a way of providing the general public with expert analysis from tax specialists.

(I) CALL FOR SUBMISSIONS FOR THE 2020 NATIONAL BUDGET

We also wish to remind the business community and the public in general on the need for them to respond to Government's call for tax and non-tax proposals for the 2020 budget and the 2020-2021 medium term budget framework.

(II) AUDITOR ROTATION RULES: CLARIFICATION ON COMPANIES ACT NO.10 OF 2017

Ladies and gentlemen, on behalf of the Standards & Regulatory Board of ZICA, following numerous queries the Institute has received regarding the tenure of office for external auditors as well as the maximum period that external auditors can be retained by the client, I wish to provide direction on this matter in compliance with the guidance of the International Federation of Accountants (IFAC).

According to the Code of Ethics for professional accountants, there is no limit to the number of years that a client can retain an external auditor. However, ***"In respect of an audit of a public interest entity, an individual [auditor] shall not be a key audit partner for more than seven years. After such time, the individual audit engagement partner shall not be a member of the engagement team or be a key audit partner for the client for a further two years. During that period, the individual shall not participate in the audit of the entity, provide quality control for the engagement, consult with the engagement team or the client regarding technical or industry specific issues, transactions or events or otherwise directly influence the outcome of the engagement. However, note must be taken that specific industry laws override the IFAC prescription".***

In light of the aforementioned, the Institute wishes to indicate that the Companies Act No.10 of 2017 under section 257 (3) provides that:

"An auditor shall only be reappointed continuously for a period not exceeding a total of six years."

Section 257 (3) of the Companies Act No.10 of 2017 overrides the pronouncement of IFAC on the audit engagement partner rotation in relation to the continuous period an audit engagement partner can be reappointed as auditor of a company established under the Companies Act of the Laws of Zambia. The Companies Act No.10 of 2017, enacted in June 2018, repealed and replaced the old Companies Act, which did not have a limit on the continuous period an auditor could be reappointed as auditor of a Company. The Institute wishes to guide that the commencement date of the 6-year rotation rule for auditors under section 257 (3) of the Companies Act No.10 of 2017 was 15th June 2018, the period when the new Companies Act was enacted. It had no retrospective effect. **For the avoidance of doubt, and in line with guidance issued to the Institute by the Patents and Companies Registration Agency (PACRA) dated 16th April 2019, the auditor referred to under section 257 (3) is the individual audit engagement partner and not the audit firm.**

The Standards & Regulatory Board of the Institute wishes to guide that the 6-year rotation rule for auditors provided for under section 257 (3) of the Companies Act No.10 of 2017 is subject to the provisions of the constitution, and the Banking and Financial Services Act, 2017, and the Securities Act, 2016 as provided for under Section 5 of the Companies Act No.10 of 2017 which reads as follows:

"Subject to the Constitution, and the Banking and Financial Services Act, 2017, and the Securities Act, 2016, where there is any inconsistency between the provisions of this Act and the provisions of any other written law, the provisions of this Act shall prevail to the extent of the inconsistency."

This, therefore, means that auditors who audit financial institutions under the supervisory ambit of the Bank of Zambia (BoZ) and auditors who audit Companies listed or quoted on the Securities and Exchange in Zambia shall be expected to observe auditor rotation rules issued by BoZ and the Securities Exchange Commission (SEC), respectively, when dealing with audits of Companies under the supervisory ambit of the BoZ or SEC.

The Standards & Regulatory Board of the Institute also wishes to guide that the cooling off period for auditors shall be in line with IFAC rules under the Code of Ethics for professional accountants, which currently stipulates this period to be at least two (2) years.

On behalf of the Standards & Regulatory Board of the Institute, we wish to appeal to any institutions which may wish to seek further guidance on this issue to contact the ZICA Chief Executive & Secretary. We trust that this guidance will inform the decisions of clients of auditors concerning the applicable rules on auditor rotation under the Companies Act No 10 of 2017 or other Acts which deal with other corporate structures in Zambia.

(III) ZICA REPORTING REQUIREMENTS ON PERSONS HOLDING OUT DIRECTIVES OF 2019

The standard on NOCLAR provides a clear pathway for auditors and other professional accountants to disclose potential non-compliance situations to appropriate public authorities, without being constrained by the ethical duty of confidentiality. It also places renewed emphasis on the role of senior-level accountants in business in promoting a culture of compliance with laws and regulations and prevention of non-compliance within their organisations.

In order to protect the public from unauthorised, unregistered and unlicensed persons who hold out as accountants, the Institute under powers granted to it by Section 86 of the Accountants Act No. 13 of 2008 hereby wishes to inform the business community and the public in general that with effect from June 2019, all ZICA members in public practice shall be required to submit monthly returns to ZICA in relation to their clients which will indicate the ZICA membership status of all accountants, accounting staff and persons holding accounting qualifications in the client organisations. Specifically, the ZICA members in public practice shall now be required to list in the monthly returns to be submitted to ZICA, all persons who are holding out as accountants as described in section 18 of the Accountants Act No. 13 of 2008.

Holding out as an accountant is a serious offence as indicated under section 18 of the Accountants Act No. 13 of 2008. This section as indicated below stipulates the illegality of holding out as an accountant and also stipulates the penalties applicable to this offence on any person found to have contravened section 18 of the Accountants Act No. 13 of 2008:

(1) A person shall not, unless the person is registered as chartered accountant under this Act—

(a) practice as, be employed as, offer services as, or hold out to be, a chartered accountant;

(b) adopt, use or exhibit the terms "'chartered

accountant", "registered auditor", "public accountant", "public auditor", " public tax consultant", " public tax adviser" or any other term of like description; or

(c) do anything likely to lead persons to infer that the person is a registered chartered accountant.

(2) A person shall not, unless the person is registered as Member with the Institute—

(a) practice as, be employed as, offer services as, or hold out to be, a Member, tax consultant or tax advisor; (b) adopt, use or exhibit the terms "Member" " public tax consultant ", "public tax advisor", " receiver ", " liquidator "or any other term of like description; or (c) do anything likely to lead persons to infer that the person is a registered Member."

(4) A person, firm, company or government agency shall not employ or engage an Affiliate, Fellow, Technician, Licentiate, Associate or any person who is not a member of the Institute or registered under this Act as an accountant.

(5) A person who contravenes, subsection (1), (2) or (4) commits an offence and is liable, upon conviction, to a fine not exceeding five hundred thousand penalty units or to imprisonment for a term not exceeding five years, or to both.

(6) Where an offence under this section is committed by a body corporate, every director, or senior officer of the body corporate shall be liable, upon conviction, as if the director or senior officer had personally committed the offence, unless the director or senior officer proves to the satisfaction of the court that the act constituting the offence under this section was done without the knowledge, consent or connivance of the director or senior officer or that the director or senior officer took reasonable steps to prevent the commission of the offence.

(7) Where a firm does an act, which if done by an individual would be an offence under this section, every partner in the firm shall be deemed to have committed the offence unless the partner proves that the offence was committed without their knowledge, consent or connivance.

The Institute envisages that through the enforcement of this anti-holding out directive, it will know which employers and individuals are not complying with the provisions of section 18 (1) and (2) of the Accountants Act No. 13 of 2008 as concerns persons holding out as members of the Institute.

We wish to also advise that all disclosures made under this directive by ZICA members in public practice fall under Protected Disclosures provided for under Part V of the Accountants Act No. 13 of 2008 and do not constitute a breach of confidentiality on the part of the person disclosing the information to the Institute.

ZICA members in public practice, who fail to submit the monthly returns by the 10th day of the month following the applicable month to which the return relates or who will fail to make a correct disclosure in their monthly returns submitted to ZICA commit professional misconduct and shall be subjected to the ZICA disciplinary process which on conviction could result in such a ZICA member being deregistered.

All persons holding out and employers facilitating the illegal practice of holding out shall be subjected to criminal proceedings in accordance with the Accountants Act No. 13 of 2008.

ZICA members aiding, abetting or facilitating persons holding out as members of the Institute, commit professional misconduct and shall be subjected to the ZICA disciplinary process which on conviction could result in such a ZICA member being deregistered.

I wish to announce that an amnesty period ending on 31st August 2019 has been extended to the business community and persons performing accounting functions to ensure that they regularise their membership status with ZICA as soon as possible. We urge employers and affected employees to utilise this amnesty period to ensure that they pay for the ZICA annual subscriptions and any balances due to ZICA. The first returns on the ZICA membership status of Accountants in industry, commerce, Non-Governmental Organisations and the public sector shall be for the month of August 2019, which will be due on 10th September 2019.

This directive was approved by the Standards and Regulatory Board of ZICA, which independently oversees compliance with relevant standards and regulations governing the accountancy profession.

(IV) ENACTMENT OF THE ACCOUNTANTS BILL 2019

At the last Annual General Meeting of the Institute, the Deputy Secretary to the Cabinet informed the ZICA members that on Monday, 15th April 2019, Cabinet approved the Accountants Bill 2019 which is expected to repeal and replace the Accountants Act No 13 of 2008. The Accountant's Bill 2019 has enhanced provisions and powers of the Institute in dealing with cooperation with law enforcement agencies on financial crimes investigations, false and reckless accounting, public interest disclosures and enforcement of the Code of Ethics, among others. We therefore wish to appeal to the Government to expedite the process of enactment of the revised Accountants Act.

(V) HIGHLIGHTS ON CA ZAMBIA AND ZICA DIPLOMA QUALIFICATIONS

The Institute has continued to contribute positively to the nation's socio-economic development by developing accountants that are an important ingredient of a good financial management system of our country. Our qualifications have been designed to produce accountants that are able to address the private and public sector requirements.

The CA Zambia brand is an internationally recognised professional accountancy designation. It is a globally respected brand that will open doors to many opportunities. The CA Zambia qualification is a premier professional accountancy qualification suitable for those that seek to be professionally qualified in finance and business. The CA equips individuals to think outside the box as graduates will serve as business advisors, finance experts, game changers, problem solvers, thought leaders and decision makers in both private and public sectors of the economy. The rich blend of courses in financial reporting, management accounting, auditing, taxation and financial management guarantees graduates with technical skills to help organisations thrive regionally and globally.

Ladies and Gentlemen, I wish to inform you that the overall pass rates in all the ZICA programmes have continued to be very impressive. In our last December 2018 examination session, the Diploma in Taxation recorded an 86 percent pass rate while the Diploma in Public Sector Financial Management recorded a 75 percent pass rate. Under the CA Zambia programme, the notable pass rate was the 66 percent recorded at the Knowledge level. This high pass rate at Knowledge level of the CA Zambia programme is attributed to the excellent education system designed to equip CA Zambia graduates with the technical skills that make them fully committed to highest standards and ethical integrity.

From the performance by gender in our examinations, it is gratifying to note that our female candidates are generally performing better than the male candidates. I also wish to note that candidates who were on full-time study performed better than those who were either on part-time study or self-study. Students are therefore encouraged to attend classes from our accredited tuition providers in order to enhance their chance of passing.

The Institute looks forward to the continued beneficial partnership with the accredited Tuition providers in the development of work-ready Accountants, Taxation Specialists, Public Sector Financial Management Specialists, and Business leaders.

(VI) CONCLUSION

In conclusion, we wish to commend Government for giving ZICA an opportunity to give professional advice on economic and national matters. We look forward to more engagements and cooperation with both the public and private sectors during the remaining part of 2019 and beyond.

I wish to thank you members of the press for covering this quarterly media briefing and your dedication to informing the public of developments happening at the Institute and the nation at large.

Jason Kazilimani, Jr

PRESIDENT ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS

THE USE OF MS EXCEL BY ACCOUNTANTS AND BUSINESS LEADERS

Most business Leaders use Microsoft Excel spreadsheets in their day-to-day activities but very few drill down to find other Excel powerful tools. As accountants and business leaders, excel must make our accounting work very easy.

Learning computer applications comes with interest and also the nature of the job you do might push you into learning the application. As an accountant or business leader, you cannot work without excel. You need to develop the interest in research for you to improve your Microsoft Excel skills. Nowadays it's mandatory for all accountants and business leaders to know Microsoft Excel and it's one of the requirements in the Accounting and Business fraternity. With the availability of internet and Microsoft Excel Help Function, one can easily teach themselves how to use Microsoft Excel and eventually become experts. They say and I quote: "*The only impossible **journey** is the one you never begin*" and "*A **journey** of a thousand miles begins with a single step*". It is evident that for you to learn this application, you need to start from somewhere and it's never too late to begin that single step. Microsoft Excel comes with the HELP tool which is very useful and it is actually the entire excel book. Excel makes the work of accountants (Financial Analysts), engineers, marketers, mathematicians, statisticians, economists very easy. Depending on your profession, you just select what suits you from the Excel **LIBRARY** function.

I urge all my fellow accountants who want to be professional financial analysts to embrace spreadsheets and drill down to find amazing functions.

Excel comes with great functions such as **SUM, SUBTOTAL, IF, SUMIF, SUMIFS, INDEX, MATCHING, DATE & TIME, LOOKUP, HLOOKUP, VLOOKUP, OFFSET, HYPERLINK, PIVOT TABLES** et cetera. All these functions, if properly used or combined, can enable you build a very powerful financial system model. For those sitting for computer based or online exams, you can easily compute **NPV, IRR, MDURATION, MIRR, FUTURE VALUE** in excel. Cash books with well defined analysis, bank reconciliations, income statements, statement of financial positions, cash-flow statements, property plant equipment computations with depreciation and impairment, Trial Balances, Cost of Sales, budgeting and planning and forecasting. All the above mentioned items can easily be done using the powerful functions that come with Microsoft Excel.

Excel can help you organise and analyse your data in the way you want it to be and this can be achieved mainly through the use of PIVOT TABLES, filtering, conditional formatting etc. I will sample and look at computation of NPV and Depreciation of assets in this article.

NPV FUNCTION

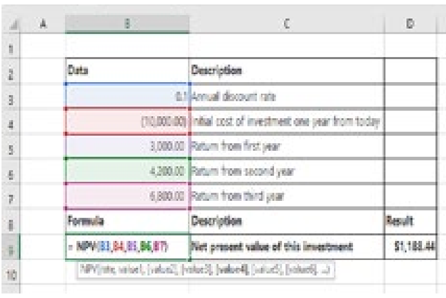
Description

NPV function calculates the net present value of an investment by using a discount rate and a series of future payments (negative values) and income (positive values).

Example:

Calculate the NPV of the following cash-flows with the discount rate of 10%:

Data	Description	
0.1	Annual discount rate	
(10,000.00)	Initial cost of investment one year from today	
3,000.00	Return from first year	
4,200.00	Return from second year	
6,800.00	Return from third year	
Formula	Description	Result
$1,188.44	Net present value of this investment	$1,188.44



	A	B	C	D
1				
2		Data	Description	
3		0.1	Annual discount rate	
4		(10,000.00)	Initial cost of investment one year from today	
5		3,000.00	Return from first year	
6		4,200.00	Return from second year	
7		6,800.00	Return from third year	
8		Formula	Description	Result
9		= NPV(B3,B4,B5,B6,B7)	Net present value of this investment	$1,188.44
10		NPV(rate, value1, [value2], [value3], [value4], [value5], [value6], ...)		

Syntax

NPV (rate, value1, [value2]...)

The NPV function syntax has the following arguments (argument: A value that provides information to an action, an event, a method, a property, a function, or a procedure.):

Rate Required. The rate of discount over the length of one period.

Value1, value2, ... **Value1** is required, subsequent values are optional. 1 to 254 arguments represent the payments and income.

Value1, value2, ... must be equally spaced in time and occur at the end of each period.

NPV uses the order of **value1, value2, ...** to interpret the order of cash flows. Be sure to enter your payment and income values in the correct sequence.

Arguments that are empty cells, logical values, or text representations of numbers, error values, or text that cannot be translated into numbers are ignored.

If an argument is an array or reference, only numbers in that array or reference are counted. Empty cells, logical values, text, or error values in the array or reference are ignored.

Remarks

The NPV investment begins one period before the date of the value 1 cash flow and ends with the last cash flow in the list. The NPV calculation is based on future cash flows. If your first cash flow occurs at the beginning of the first period, the first value must be added to the NPV result, not included in the values arguments. For more information, see the examples below.

If n is the number of cash flows in the list of values, the formula for **NPV** is:

$$\mathrm{NPV} = \sum_{i=1}^{n} \frac{values_i}{(1+rate)^i}$$

DEPRECIATION

When you buy a capital asset for your business - say, a machine, a vehicle, or property - you'll probably want to depreciate it over time. This will make your financial statements reflect that the asset is being used up gradually, rather than all at once. You might even be required to depreciate certain assets, depending on how you do your accounting and applicable tax regulations.

There are several common ways of calculating depreciation and I will concentrate on the two below:

- Straight-line
- Declining balance

The difference between all these methods is the speed of depreciation. Depreciation should generally match the rate at which an asset gets used - and thus declines in value - and some assets might decline faster than others. Just think of how quickly new computers become obsolete!

In this tutorial, I'll show you how to calculate depreciation in the first two methods i.e. straight-line and declining balance methods, using any spreadsheet app. You can follow along with this tutorial using any version of Excel (for Windows, Mac, or the Excel Web App), Google Sheets, Numbers, and most other spreadsheet apps. Each of the functions will work the exact same way in any of these apps.

Straight line method

Straight line depreciation is the easiest to calculate and most commonly used, since the amount is the same each year. It's the initial cost minus the fully depreciated value, divided by the number of years.

The straight line depreciation function (**SLN**) thus gets three parameters:

- Cost: how much we paid for the asset
- Salvage value: the value of the asset when depreciation is finished
- Life: how many periods (typically years) we depreciate it

The syntax of this function is: **=SLN (cost, salvage, life)**

Look at the **straight-line** worksheet of **Depreciation Worksheets.xlxs**, or in your own spreadsheet, type in info from the example below:

	A	B
1		
2	Straight-line depreciation	
3	Initial cost:	500,000
4	Salvage value:	20,000
5	Life (# years):	10
6		
7	Amount of depreciation each year:	
8	$48,000	

The initial cost is in B3, the salvage value is in B4, and the life is in B5. So click in cell A8 and enter the function: **= SLN(B3,B4,B5)**

This gives us a result of $48,000 a year.

Declining Balance method

Like straight line depreciation, the declining balance method is a constant amount each year, but at a higher rate. To calculate it, the worksheet multiplies a rate by the asset's declining book value. The book value is the initial cost, minus accumulated depreciation, and is sometimes called the *carrying value*. Don't confuse book value with market value, which is how much you can sell the asset for.

What is the rate for declining balance? Excel and Google both use this formula:

The declining balance function (DB) has the same 3 parameters as the straight line method - cost, salvage value, and life - plus two more:

- Period: we run the calculation several times. When we run it *this* time, which period do we want to see? For example, we run the function for the second year, the third year, etc.
- Month: assuming we're depreciating over several years, how many months are in the first year of depreciation? This value is optional. If we omit it, the function assumes it's 12.

The syntax of this function is: **= DB(cost, salvage, life, period, [month])**

Look at the declining balance worksheet of Depreciation Worksheets.xlxs, or in the screenshot below. The initial cost, salvage value, number of years and months in the first year are contained in cells B3, B4, B5 and B6, respectively. The years are listed down column A.

So click in cell B9 and enter the function: **=DB(B3,B4,B5,A9,B6)**

Don't press **Enter**, yet! To save typing, we'll use the *AutoFill* feature to drag the formula down the column. To avoid errors, we need to make all the cell references, except the years, absolute.

Select each cell reference except A9, then press the F4 key to insert dollar signs. This prevents the reference from changing. The function should now be:

=DB(B3,B4,B5,A9,B6)

Put the mouse pointer on the AutoFill handle so the mouse pointer becomes a cross-hair:

Drag the AutoFill cursor down to the bottom of the column to get these results:

Note that the *Year* column goes to 11 because the first year had only 6 months.

Advantages

- Build great charts
- Use conditional formatting
- Help identify trends
- Bring data together

Disadvantages

Collaboration is Limited

Only one person can access and edit the data at a time, without taking or being sent a copy of it. In some instances, recipients even end up being sent the wrong version, which can lead to errors in data. With a system, multiple people can look at and work on the most up-to-date data simultaneously and have confidence the data quality.

Lack of controls, vulnerability to fraud

Spreadsheets do not possess any built-in, automatic audit tracking function. For example, who accessed the data last, who did what and when to the spreadsheet? How do you know if the calculations are correct? How do we know results remain accurate after months, quarters, and years of use? There is always new data entering spreadsheets and new users managing them. What controls are established to ensure the spreadsheet remains bug free?

No log of change

Along the same lines of my previous point, the spreadsheet has no log of change. As values/calculations/source data changes, the spreadsheet does not maintain the prior value for auditing/control. Having this function in a system allows you to review accuracy of data over time and return to previous values if errors are detected.

Not prepared for disaster

If there are no best practices put in place for proper spreadsheet storage or back up, your reinsurance programme is at a major risk when disaster strikes. If something happens, full data recovery can be very difficult if not impossible, and will have a major impact on your business.

Susceptible to costly human errors

Spreadsheets are extremely susceptible to trivial human errors. It is estimated that nine out of 10 spreadsheets contain human errors. Missed negative signs and misaligned rows may sound harmless. However, they can cause a considerable loss to the bottom line. Furthermore, costly mistakes can damage the confidence of investors or other stakeholders involved in your business.

Difficult to troubleshoot or test

Spreadsheets are notoriously difficult to troubleshoot or test, simply because they are not built for that. However, testing should be an integral component of the quality controls you put in place to maintain accuracy across reinsurance programmes. When spreadsheets are saved in different folders, departments or even geographical locations, it becomes that much harder to implement and conduct quality control processes.

CONCLUSION

As an accountant, you can build any financial model in excel and i n my next article, I will show you how you can build a financial model in excel from the scratch.

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HARNESSING TECHNICAL AND VOCATIONAL EDUCATION: EMBRACING ENTREPRENEURSHIP FOR ECONOMIC DEVELOPMENT

By Phillip Mubanga, Hj. Zulkifli Senteri, and Innocent Mutale Mulenga

1.0 INTRODUCTION

This article intends to bring to the fore underutilisation of human resources and the high unemployment rate faced by Zambia. This is partly due to a mismatch of qualifications and the availability of jobs. The prevailing situation is mainly as a result of lack of technical, vocational and entrepreneurship skills. It is undeniable and undisputable that there is currently in the country a shortage of appropriately skilled human resources to effectively and efficiently add value to the abundant natural resources (TEVET Policy, 1996:3). Technical and Vocational Education and Training (TVET) and entrepreneurship education can be a solution to underutilisation of human resources and unemployment by promoting creation of enterprises, new jobs and self-employment. TVET is a concept. According to UNESCO (2015), TVET deals with the acquisition of knowledge and skills for the world of work. In different parts of the world, TVET may be known by different names, but the content and objectives will remain the same. The common forms and names of TVET are Apprenticeship Training; Vocational Education; Technical Education; Occupational Education; Professional and Vocational Education; Career and Technical Education; Workforce Education; and Workplace Education, to mention but a few. The TEVET Policy of 1996 introduced Technical Education, Vocational and Entrepreneurship Training (TEVET) terminology in Zambia, which is equivalent to the UNESCO terminology, Technical and Vocational Education and Training (TVET). In the Zambian context, TEVET and TVET are used interchangeably. On the global platform, the UNESCO terminology of TVET is usually used.

Therefore, the focus of this article is on how to effectively harness TVET and embracing entrepreneurship to attain the desired industrialisation and sustainable economic development with the view of making the country a prosperous middle-income nation by 2030 and fully industrialised by 2064. These aspirations can partly be realised through knowledgeable, skilled and competent persons that have undergone TVET and entrepreneurship training. According to Kuratko & Hodgetts (2004), "Entrepreneurship is the most powerful economic force known to mankind." Simply stated, it is one of the phenomenon of the highest order that has to be harnessed and fully embraced so that it can positively impact the economic landscape of Zambia.

2.0 TECHNICAL EDUCATION AND VOCATIONAL TRAINING REFORMS IN ZAMBIA

According to the Commission for Technical Education and Vocational Training (CTEVT, 1969:8), in the early 1920s Technical and Vocational Education and Training (TVET) at informal level was introduced by missionaries who needed workers to build their churches and also people to teach religion. In the 1930s, the missionaries formalised vocational training and by 1935 the colonial government started giving some financial support to missionary practical training schools for carpenters and bricklayers. In the early 1950s, the colonial government reluctantly formally established four vocational training schools namely: Mwekera, Luanshya, Mufulira, and Kitwe and gave grants to missionary vocational training institutions. The policy was to discourage the indigenous people from getting practical skills since the jobs in these fields were reserved for colonial expatriates but instead encouraged local people to take up clerical and teaching jobs. The colonial government painted a picture that only dull students were fit to enter vocational schools, which were of sub-standard and the qualification was considered inferior. This could be said to be the genesis or the planting of the seed of what is seen of the present day desire of the learned Zambian to seek white-collar jobs.

According to Mwanakatwe (1968), there were frequent conflicts between officials in the Ministry of Education and Culture (MoEC) and employees of the Commission for Technical Education and Vocational Training (CTEVT). CTEVT was the Commission that was set up in the late 1960s to formalise TVET in Zambia. This development resulted into further reforms, culminating into enactment of new legislation, the Technical Education and Vocational Training (TEVT) Act of 1972. The Act created a department under MoEC, the Department of Technical Education and Vocational Training (DTEVT), which took over the roles of CTVET. Enrolment numbers grew by 35% from 1971 to 1982 during the administration of DTEVT and the average annual growth for twelve years was 4% (World Bank, 1990). The low enrolment figure can be attributed to the negative picture that had been created in the minds of the general populace, where people had reservations to go into vocational training despite the change in government.

Reforms in vocational training in Zambia have continued. In 1996, the Technical Education, Vocational and Entrepreneurship Training (TEVET) policy was developed, which introduced the term "TEVET" equivalent to "TVET". The TEVET policy culminated in the publication of the TEVET Strategy Paper in 1967. Finally, this led to enactment of the TEVET Act No. 13 of 1998. The same Act established the country's TVET Authority known as Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA). TEVETA which replaced DTEVT was only operationalised in 2000 with the responsibility of overseeing the functioning of TVET systems in the country in consultation and collaboration with both local and international stakeholders.

3.0 UNEMPLOYMENT, POVERTY AND VOCATIONAL SKILLS TRAINING IN ZAMBIA

The population of Zambia ~~is~~ estimated at 16.59 million[1]. The average population per province is 1.5 million, with median age of 17 years, GDP per capita is US$3,900 and education expenditures as a percentage of GNP [2] is 1.3%.

The unemployment rate[3] of Zambia was 7.78 as of 2016. From 2007 to 2017, reforms have been implemented from the time the TVET authority was established. During that period, the TVET sector has recorded positive results that have helped in reducing unemployment. The overall unemployment rate had reduced from 12.1% to 7.79%, and youth unemployment reduced from 20.5% to 16.3%. However, by any standard, the prevailing rates are still high and require drastic measures to bring them further down.

Table 3.1: Unemployment Rates in Zambia

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Overall Unemployment	12.10	8.70	10.60	13.19	9.99	7.850	7.85	7.820	7.75	7.78	7.79
Youth Unemployment	20.50	15.80	15.00	18.80	23.50	14.30	15.30	14.70	14.70	14.30	16.30

Source: Central Statistical Office (CSO), Zambia

Finding solutions of how to reduce poverty among the population is one of the main challenges Zambia faces. Despite the slight improvement in the economy over the past few years, many Zambians still continue to live in poverty (CSO, 2015). Sixty percent of the people in Zambia live below the poverty line and 42% are considered extremely poor[4]. **The poverty line in Zambia is two thirds of the median expenditure per capita, which** is $3,900[3]. The implication of this definition is that persons in the country whose consumption is below this ceiling are classified as being poor.

Zambia is a country faced with considerable skills gaps across many economic sectors. However, the situation is more severe in technical and vocational occupations. The gaps have remained evident for a long period of time. The situation has prevailed, when in fact, many technical and vocational job openings have remained unfilled for a long time, in sectors such as construction, mining, manufacturing and crafts due to lack of appropriate skills that industries need and look for in the potential workforce. Therefore, if some of the unemployed people attained skills training in TVET, there is high possibility of them taking up some of the unfilled vacancies and several that are currently filled by expatriates and this would consequently help to bring down the unemployment rate. Thus, TVET has potential to narrow the skills gaps, while at the same time can assist in reducing underutilisation of human resources.

In the Zambian context, there is at present, a strong link between TVET and unemployment and the country's Seventh National Development Plan (7th NDP) has prioritised TVET as one of the routes to skills development, and as one of the major missing links in the economic development agenda.

According to a United Nations 2013 report, Zambia is a lower middle-income country. The country is endowed with abundant natural resources ranging from minerals, forests, vast arable land, several species of wildlife, many fresh water bodies (rivers and lakes), and a youthful population of more than 50%.

In spite of all the abundant natural resources endowment and a youthful population, Zambia has remained less industrialised, underdeveloped and with most of its population on average living in abject poverty (World Bank, 2016).

The most recent statistics available from the Labour Force Survey report of 2018 from Central Statistical Office, Zambia reveal that only 13.5% of the total employed persons had attained tertiary education or some form of skills training after completing secondary school education, implying that the skills levels among the employed persons were quite low for industrialisation to take place at an acceptable pace and rate. Additionally, only 36.8% had obtained training in technical and vocational fields, which are key to production related activities. The total number of formally employed persons in 2018 was 2,971,170 out of the Zambian estimated population of 17 million (CSO, 2018). The underutilisation of human resources is, perhaps, the greatest factor contributing to the country's underdevelopment (TEVET Policy, 1996).

Underutilisation, in this article, is defined as "a condition of being idle and or not being able to be fully utilised to maximum potential." In reference to human resources in Zambia, it is a situation where majority of the population do not have the minimum skills required by the labour market or there is lack of appropriate skills for the persons to be productive. TVET is biased toward acquisition of technical and vocational skills, which are production-oriented and impartation of entrepreneurship skills is vital. It should also entail training and exposing individuals to technologies that can be used in effective running of small and medium sized enterprises, as well as mass vocational training to supply sufficient numbers of skilled personnel to the productive industrial sectors of the economy.

Human resource, without doubt, is the most critical element in the development process. Without the human element, all other resources like capital, land and nature cannot be of any significant use. However, human resource can only be effective in harnessing nature if it is provided with the appropriate techniques and skills to do so. This is precisely what the Technical Education, Vocational and Entrepreneurship Training policy aims to achieve (TEVET Policy, 1996).

4.0 TECHNICAL AND VOCATIONAL SKILLS AND THE SEVENTH NATIONAL DEVELOPMENT PLAN

Zambia's Seventh National Development Plan (7NDP) (2017 – 2021) outlines the Government's desired developmental outcomes. The plan is envisaged to respond to the Smart Zambia transformation Agenda 2064, which embraces economic stabilisation and growth strategies necessary for actualisation of a Smart Zambia. The plan is aimed at attaining the long-term objectives outlined in "Vision 2030" of Zambia. That is, becoming a "prosperous middle-income country by 2030". The Smart Zambia transformation agenda aspires to realise the aspiration of the country becoming industrialised by 2064. The strategic goal of the 7NDP envisages creating a diversified and resilient economy for sustained growth and social economic transformation driven by agriculture, mining and tourism.

The 7NDP has five (5) pillars with several development outcomes under each pillar. It was noted that pillars 1, 2 and 4 are relevant to TVET and skilling of human resources.

Pillar 1: Deals with Economic Diversification and Job Creation, and of the 10 development outcomes, outcome number 9, *Enhanced Decent Job Opportunities in the Economy* is key and appropriate to TVET.

Pillar 2: Poverty and vulnerability reduction, with development outcome of *Enhanced*

1 World Bank - 2016

2 CIA World Fact book (https://www.cia.gov/library/publications/resources/the-world-factbook/)

3 Trading Economics (https://www.tradingeconomics.com/)

4 United Nations World Food Programme (https://www.wfp.org/10 facts/)

Welfare and Livelihood of the Poor resonating very well with TVET objectives.

Pillar 3: Reducing Development Inequalities.

Pillar 4: Enhancing Human Capital Development. This has 3 development outcomes. Outcome number 2 - *Improved Education and Skills Development* - fully covers TVET and entrepreneurship training.

Pillar 5: A conducive Policy Environment for Economic Diversification.

To be actualised, these development outcomes require large numbers of properly skilled persons across all economic sectors of Zambia. TVET and Entrepreneurship may potentially contribute to resolving the shortage of skills needed for industrialisation and economic development. Statistics from the Zambian National Labour Force Survey Report (2014) indicate that only 18.4% of total employed persons had received formal skills training. High levels of poorly skilled human resources has potential to adversely affect achievement of economic development. Skilled persons are vital catalysts for efficient use and exploitation of natural resources and a necessary requirement in creation of new industries, new jobs and self-employment.

The Zambia Labour Survey report (2014) estimated 10.3 million potential TVET and entrepreneurship learners are in the 15 to 39 years age group. This is a potential human resource that could be exploited for industrialisation and economic development. Appropriately skilled persons are the key input to the economic transformation agenda in order to transition from the current position of underdevelopment and low industrialisation to the middle-income nation status and ultimately to full industrialisation.

These skilled persons must be trained and supplied to the labour market by the national (TVET) and entrepreneurship training systems. The TVET system has been designed to prepare each individual with the potential to pursue one or both of the following career pathways upon successful completion of accredited learning programmes:

Salaried worker career pathway;

Entrepreneur/employer career pathway.

5.0 TVET AND ECONOMIC DEVELOPMENT

Zambia's Vision 2030 places much importance on developing the calibre of human resources, with greater emphasis on expenditure for better education and skills development. In order to resolve the issue of underutilisation of human resources, initiative is required to deal with skills training that matches the needs of industry and the labour market in general. In order to achieve this significant national task, it means that technical and vocational education, as well as entrepreneurship training will be required to equip learners with the desirable skills to support economic development.

The biggest challenge for Zambia to become a prosperous middle-income nation and attainment of full industrialisation status is the current low levels of TVET and entrepreneurship skills in the country, among other factors. According to the Zambian TEVET Policy (1996) and the researchers' observations and experience, the underdevelopment in the economy is largely a result of underutilisation of human resources which is one of the major factors that has also significantly contributed to unemployment, culminating into the prevailing high poverty levels in the country.

In the absence of skilled human resources, the rest of the other resources such as the key factors of production cannot be exploited efficiently, and wastage is likely to happen.

A good number of people with general academic qualifications are not employed due to few jobs for the kind of qualifications that they hold in Zambia, and the situation is compounded by their lack of entrepreneurial training. To the contrary, in some instances, there is demand for appropriately skilled human resources and some opportunities exist in the technical and vocational industries but the headcount of persons with such skills and competence is low, as confirmed in a study by Hamukoma (2011) on the shortage of skilled manpower in the Zambian mining industry. These opportunities end up being filled by expensive expatriate human resources. According to ICMM - International Council on Mining and Metals (2014), Immigrant workers in Zambia represent around 2% of the labour force in the mining industry alone. When extrapolated to include all other industrial sectors, the figure for expatriates may be over 8%.

Increase in a country's overall level of educational attainment has caused corresponding increases in their overall rate of economic growth (Krueger and Lindahl, 1999). The findings of the research by Krueger and Lindahl also hold true for Zambia. Zambia's Vision 2030 indicates that education is important in improving the country's social economic development because it builds people's abilities in terms of skills and the ability to obtain and evaluate information for livelihood decision making. It is one of the rationale that the Government has used as a basis for incurring expenditure on education services and training infrastructure. It is also conventional knowledge and belief that an educated population is a valuable resource that benefits enterprises, employees, the government and the entire country, directly or indirectly. In reference to TVET, Winer (2000) argued that vocational education is designed to develop skills, abilities, understanding attitudes, work habits and appreciation encompassing knowledge and information needed by workers to enter and make progress in employment on a useful and productive basis.

6.0 JUSTIFICATION FOR PRIORITISING TVET AND ENTREPRENEURSHIP TRAINING IN ZAMBIA

The role that TVET and entrepreneurship training play is central in skills development as one of the critical facets contributing to economic development. It is envisaged that 2% of certified competent skilled persons each year should be churned out of TVET institutions, competently trained to local and internationally accepted quality standards. This target can only be translated into reality on condition that mechanisms are put in place to increase and improve equity of access to vocational training. The rationale to embrace TVET and entrepreneurship training is anchored on Zambia's aspirations to become a "prosperous middle-income country and fully industrialized.

Implementation of this Vision, in respect to technical, vocational and entrepreneurship training will commence with development of comprehensive curricula that respond to the needs of society and economic aspects affecting the population and the entire country. In order to ensure that TVET institutions have sufficient learners, it is envisaged that literacy rates should increase to 80% and by 2030 illiteracy should be eliminated completely, so that there is a steady supply of students.

TVET is core in the work plans as it is regarded as one way of promoting technology transfer and its use. TVET knowledge and skills are critically required in implementation of the Vision as a valuable set of skills in developing and maintaining productive and social infrastructure such as roads, storage facilities, rail network, energy, communications systems, and public utilities.

Considering that vocational education has experienced problems in the past, ranging from non-integrated curricula, low investment, sub-standard and dilapidated infrastructure, the plan is intended to resolve these challenges, with a view of escalating the impact and benefits of vocational training. The implementation shall ensure there is adequate provision of capable management, equipped with leadership skills to effectively and efficiently run the vocational education system. Ideally, vocational training, in the current plan, is expected to support a large number of learners, in excess of 20,000 annually that are offloaded from the country's schools.

If many TVET learners are exposed to entrepreneurship training, they would be imparted with skills and abilities that would enable them to start enterprises as mechanisms of creating wealth. This approach is consistent with the resource-based view advocated by Penrose (1985) that entrepreneurship involves acquiring, combining, and assembling of critical resources, which make up the enterprises. This study is also premised on the rationale that creating enterprises in Lusaka Province has potential to stimulate economic activity to bring about sustainable economic development and the human resource component is vital in this process. If successful, this industrialisation and economic development model could be replicated to other provinces in line with Zambia's Industrialisation and Job creation strategy (2014).

According to the Zambia Labour Force Survey (2014), there is low rate of startup enterprises in the technology-based industry, the authors have proposed that strategies be put in place to persuade TVET learners to consider creating enterprises in technology-based enterprises. TVET and Entrepreneurship have huge potential in shaping Zambia's industrial and economic landscape into a prosperous society, and this is consistent with the views of De Vita et al (2014) who acknowledged that entrepreneurship on a global scale plays a significant role in economic development.

Anaele et al (2014) established that TVET graduates without entrepreneurship skills ended up looking for non-existent paid employment. Hence graduates without intention of starting enterprises are part of the bigger problem of unemployment. The implication is that the knowledge, skills and competences acquired by these graduates during their vocational training are never put to good use translating into underutilisation of human resources.

7.0 SIGNIFICANCE OF TVET IN ZAMBIA

TVET is important for several reasons:

Pavlova (2014) in the research on TVET came to a conclusion that TVET was an important factor in a country's economic development. It plays a significant role in addressing underutilisation of human resources and unemployment challenges.

Technical and vocational education and training were depicted as a tool for skills acquisition and industrial development and Competency Based Training (CBT) was suggested as one of the suitable means of training in TVET (Ansah & Kissi, 2013). There are several other reliable and effective methods of harnessing TVET and entrepreneurship training systems that will be elaborated in the next article. TVET and entrepreneurship have more potential as alternative solutions to poverty reduction and unemployment challenges.

TVET and Entrepreneurship has a large catchment, multiple effect and can be embraced by a wider segment of the population with different TVET learner group types that may benefit from entrepreneurship on large scale to give them means of sustaining their livelihood.

There several possible ways of propagating TVET that can be explored that have direct and immediate impact on the economy and the population such as the Germany TVET dual training system which can be adopted and adapted to the Zambia context with the hope of realising similar positive economic results to a certain degree.

8.0 AN EXAMPLE OF ONE OF THE MOST SUCCESSFUL TVET SYSTEMS IN THE WORLD

The Dual vocational system of training in Germany is a typical example of a workable TVET system, one of the oldest and best in the world. A dual system of education involves an apprentice taking up apprenticeship in a company while at the same time embarking on vocational training at a trades school in the field of the learner's choice relating to the job (BMBF, Federal Ministry of Education, Science, Research and Technology, 1996).

The dual vocational system is founded on the concept and theory of TVET, which will form part of the theoretical foundation and framework for this study. The TVET theory and knowledge thereof has proved handy in imparting vocational knowledge and skills which have be used in other parts of the world like German and may be useful in addressing the challenges associated with underutilization of human resources and unemployment that have plagued Zambia, in particular, Lusaka province.

9.0 CONCLUSION

One of the major challenges that Zambia faces is changing the mindset of its population in line with changes in global trends in the world of work, in terms of transitioning from school to the workplace. Most of the citizens consider academic qualifications more valuable than TVET qualifications, and their orientation is biased towards looking for and finding paid formal employment where they are able to draw a monthly wage or salary upon graduation. This scenario calls for reforms to change the prevailing status if Zambia's aspirations of industrialisation and economic development are to be realised. Currently, there are more Zambian graduates holding academic qualifications and yet there are very few paid jobs available on the local labour market requiring academic qualifications. The quest for industrialisation requires large numbers of skilled individuals in technical and vocational fields that are hands-on and practical oriented in nature who can be employed in many infrastructure related projects needed for economic development. At the moment, a good number of TVET graduates are ill skilled and many of them unemployed, culminating into underutilisation of manpower and idle human resources.

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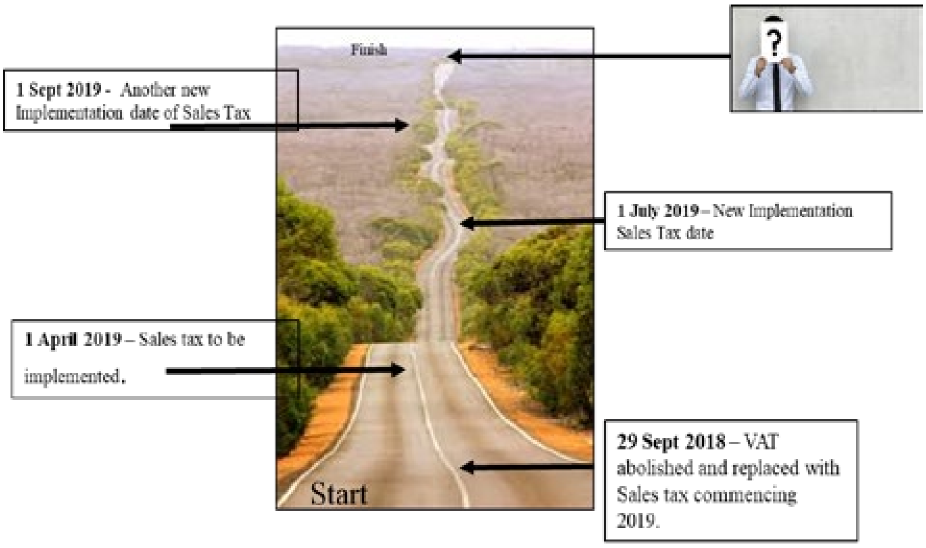
WHY PUT AN END TO VAT?

In August 2018, we had the first glimpse of how the Ministry of Finance was planning for the 2019 National Budget through the publication of the Medium Term Expenditure Framework and 2019 Budget. In particular, the Government proposed to increase domestic Value Added Tax ("VAT") collections by K2 billion in the 2019 projections, a 50% increase over the 2018 collections. This was substantial. Speculation about restricted inputs or an increase in the VAT rate engulfed the business community. On 28 September 2018, Honourable Margaret Mwanakatwe, then Minister of Finance, announced that the VAT regime would be abolished and a new Sales Tax would be introduced, effective 1 April 2019.

> 'Mr Speaker, the need to enhance domestic revenue mobilisation cannot be overemphasised. Government has, therefore, undertaken a review of the various taxes currently being implemented with a view to improve their contribution and minimise revenue leakages. To this end, Government proposes to abolish the Value Added Tax and replace it with a simpler and non-refundable Sales Tax. 195. Sir, as we implement the new tax, the Government, through the Zambia Revenue Authority will finalise audits of all outstanding VAT refund claims and enforce all outstanding VAT assessments in order to collect any unpaid taxes. Government also remains committed to settling the verified VAT refund claims that have so far been accumulated'

Sales Tax? Nobody thought we would have Sales Tax again; this was last tested in Zambia in the pre-economic liberalisation era. Little detail has emerged about the proposed Sales Tax administration. Uncertainty in the implementation of Sales Tax and details of the administration have concerned taxpayers. Many taxpayers don't understand why a consumption tax abolished in 1995 would be reintroduced. Is it better or worse than VAT?



<u>Diagram 1: Sales Tax time frame</u>

I will write a series of three articles in which I will discuss: 1. Main features of VAT and its implementation globally and in Zambia; 2. Sales tax by design; and 3. The verdict – 'Sales Tax or VAT?' with the hard facts.

GLOBAL TRENDS

The purpose of any tax reform is to optimise the principles of a good tax regime which include equity, simplicity, certainty, predictability and efficiency (Osoro, 2013).

The OECD (2018) Consumptions Tax Trends report states that many developing countries have introduced VAT within the last two decades to replace lost revenue from trade taxes following global trade liberalisation. In the European Union ("EU"), VAT is directly associated with the development of its internal market. The EU adopted a common VAT framework to remove the trade distortions caused by cascading effects of indirect taxes and to facilitate the creation of a common market.

Currently, 35 out of the 36 Organisation of Economic Co-operation and Development (OECD) member countries have adopted and maintained a VAT regime. The United States has maintained a retail sales tax regime. It is important to note that Zambia is not a member of the OECD but has adopted principles and guidelines that govern our tax legislation from the institution. The United Nations Member States (including Zambia) consist of 193 countries, of which only 41 Member States do not implement VAT (UN, 2018). By contrast, a handful of countries have introduced and maintained sales tax and this will further be discussed in the subsequent article.

MAIN FEATURES OF VAT

Whilst there is wide diversity in the way VAT systems are administered across different jurisdictions, VAT can be defined by its specific purpose and tax collection mechanism. The OECD highlights the key features of VAT. VAT is a tax on final consumption. VAT administration occurs through a stage collection process. This means that tax is collected through a staged process on the value added at each stage of production and distribution. Businesses collect VAT on the value of their outputs from their customers and are entitled to deduct the tax they have paid on purchases and must account and remit the difference (or receive a refund from) to Zambia Revenue Authority (ZRA). In this respect, VAT differs from Sales Tax which requires the supplier to pay on taxable purchases and charge on taxable sales. There is no credit mechanism under the Sales Tax. Finally, VAT is neutral. In principle, tax is only collected on the value added at each stage of production or distribution. This gives VAT its essential character as an economically neutral tax. The full right for a business to deduct input tax through the supply chain ensures the neutrality of the process, whatever the nature of the good or service (OECD, 2018).

From a review of OECD member countries, standard VAT rates have evolved over the past five decades progressively increasing from 15% to approximately 27%, depending upon the jurisdiction. Although major differences in standard rates are still observed globally with rates ranging from 5% in Canada (where some

Diagram 2: List of African countries implementing VAT

Year of implementation	Country	Standard rate of VAT (%)
1960	Ivory Coast	18
1986	Morocco	20
1988	Tunisia	18
1990	Kenya	16
1991	Benin	18
1991	Egypt	10
1991	Mali	18
1991	South Africa	15
1992	Algeria	17
1993	Burkino Faso	18
1993	Nigeria	5
1994	Madagascar	20
1994	Niger	19
1995	Gabon	18
1995	Mauritania	14
1995	Togo	18
1995	Zambia	16
1996	Guinea	18
1996	Uganda	18
1998	Ghana	12.5
1998	Mauritius	15
1998	Tanzania	17
1999	Cameroon	19.25
2000	Chad	18
2000	Namibia	15
2000	Sudan	17
2001	Central African Republic	19
2001	Guinea-Bissau	15
2001	Rwanda	18
2001	Senegal	18
2002	Botswana	12
2002	Malawi	16.5
2003	Ethiopia	15
2003	Lesotho	14
2004	Cape Verde	15
2004	Equatorial Guinea	15
2004	Zimbabwe	15
2008	Mozambique	17
2009	Burundi	18
2009	Sierra Leone	15
2012	Democratic Republic of Congo	16
2012	Republic of Congo	16
2012	Seychelles	15
2013	Gambia	40

Source: United Nations Dag Hammarskjold Library

provinces levy sales tax) to 27% in Hungary. VAT regimes make extensive use of exemptions in order to reduce rates. In this context, exemption means that the supplier does not charge VAT on its outputs, and as a consequence, has no right to recover its VAT on its related inputs. A wide variety of motivations exist for the application of VAT exemptions, including the difficulty to determine a tax base or the desire to exclude activities from the VAT base that are considered a public service or as serving a purpose of the general and/or social interest such as food stuffs and healthcare. In addition, certain sectors that are exempt from VAT may be subject to specific taxes (e.g. insurance and financial services).

To quickly recap, I have briefly explained, from a global perspective, why VAT became popular over the past 20 years, the core features of VAT and the applicable rates and exemptions.

With this basic knowledge, it would then be useful to understand how VAT has performed in Zambia, and whether it has served its purpose, and achieved the principles of a good tax system.

Diagram 2: List of African countries implementing VAT

MEASURING PERFORMANCE OF VAT

VAT performance can be measured through different methods but most commonly a VAT Revenue Ratio (VRR) is used to provide a comparative measure of a country's ability to effectively secure the potential tax base for VAT (OECD, 2018). The VRR measures the difference between the VAT revenue actually collected and what would have been theoretically raised if VAT was applied at the standard rate across the entire VAT tax base. For example, a ratio of 1 in Zambia would mean that the ZRA have managed to collect the VAT revenue equivalent to 16% of the VAT tax base. Across OECD countries, the average VRR has remained relatively stable over the past decade ranging from between 54% and 57%. This mean that on average 44% of the theoretical potential VAT revenue is not collected. The main fundamental difficulty with the VRR is the assessment of the actual VAT tax base because this may include mixed suppliers, exempt suppliers and individuals.

OECD research suggests that the closer a VAT system of a country is to a pure VAT, the closer its VRR is to 1. A lower value reflects factors such as the effects of reduced rates, exemptions and failure to collect tax due. Further, the OECD highlights the factors that would negatively or positively influence the VRR. These include:

Lower VAT rates to specific goods and services would reduce tax revenue and negatively impact VRR.

Exemptions may reduce the tax revenue (when exemptions are applied directly to goods and services supplied to final consumers like health care) or may increase revenue where the exemption occurs early in the supply chain.

Final consumption by Government is the second largest final use after household consumption, because Government activities are exempt from VAT. As a result, Government bodies cannot deduct input VAT paid on the taxable expenditure, nor can suppliers account for the VAT on their revenues from Government bodies.

The capacity of the tax administration to manage a VAT system efficiently and the degree of compliance by taxpayers influences the VRR as low compliance has a negative impact on actual VAT revenue.

Failure of a tax administration to operate an appropriate VAT refund process (with timely refunds of excess input-VAT

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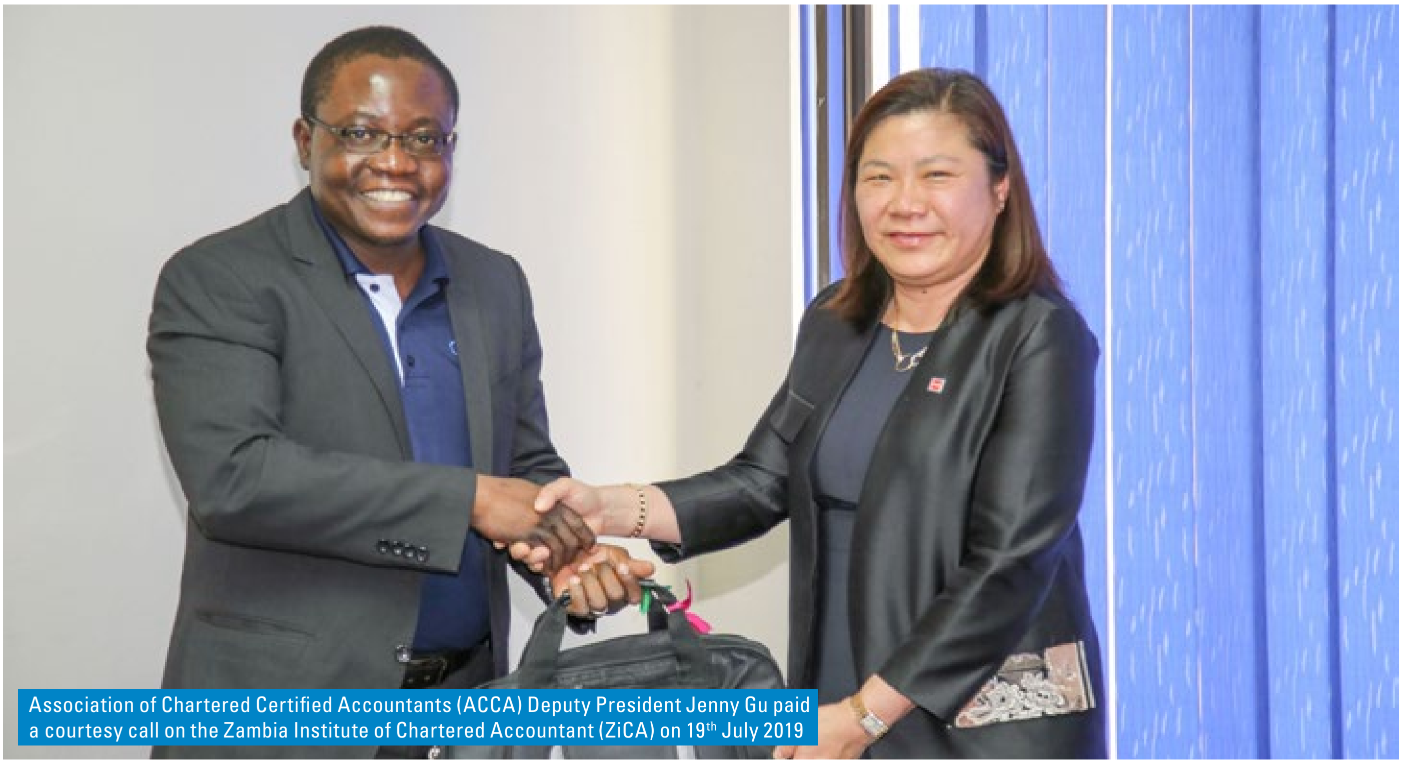
ZCAS Vice Chancellor Prof. Mutale Musonda and ZICA Secretary and Chief Executive Mr Bonna Kashinga during the signing ceremony of the ZiCA/ZCAS top up degree in Bachelor of Accountancy

Deputy Secretary to Cabinet Mr Christopher Mvunga delivering his speech at the 2019 ZiCA Annual Ball

Dr Rajan Mahtani delivering his welcome remarks during the PICZ sponsored cocktail in Livingstone

ZiCA Council Members pose for a photo with the Minister of Finance Honourable Margaret Mwanakatwe during the official opening of the 34th Annual General Meeting



Association of Chartered Certified Accountants (ACCA) Deputy President Jenny Gu paid a courtesy call on the Zambia Institute of Chartered Accountant (ZiCA) on 19th July 2019

Former ZiCA CEO Mr Vickson Ncube and former ZiCA President Mr Wesley Beene during the official opening of the 34th Annual General Meeting

ZiCA Council Members attending the 34th Annual General Meeting

CHARTERED ACCOUNTANTS CAN PLAY A ROLE IN BALANCING TECHNOLOGY AND TRUST IN AN A.I. POWERED WORLD

Accountants can play a valuable role to ensure broad public trust in technologies like artificial intelligence. At the same time, accountants also need to upskill to stave off the threat of automation replacing the process-driven parts of their jobs.

Those were some of the talking points from a panel debate in Dubai on the 17th of June 2019, attended by the CEOs of the member institutes from Chartered Accountants Worldwide, along with invited guests of senior business and finance professionals. Moderated by Dubai-based business journalist and presenter Richard Dean, the theme of the discussion was 'The Future of Trust: new technology meets old-fashioned values'.

The hour-long discussion tackled themes like the impact of artificial intelligence (A.I.) on the accountancy profession, and whether it's possible to trust a 'black box' system whose reasoning may be hidden from view.

ACCOUNTANTS' OVERSIGHT

Furthering trust in technology could be a job for accountants, suggested Michael Izza, Chairman of Chartered Accountants Worldwide and CEO of ICAEW. "A.I. only works if you've got data, and lots of it," he said. Some of the world's largest technology companies are gathering data at an unprecedented scale, and the lack of trust is prompting authorities like the European Union to put checks on some of that power.

Michael Izza, Chairman of Chartered Accountants Worldwide and CEO of ICAEW

He then commented that this issue was highly relevant to the accountancy profession and to chartered accountants in future. "Somebody has to opine on whether or not the data is accurate; whether or not the data is complete, whether or not the data on which the world is building so many of its engines can be relied upon. And I think one of the roles of chartered accountants in the future is as the guardians of data," said Mr Izza. The United Nations has previously called for the accountancy profession to perform this kind of assurance role, he added.

David Haveron, an expert in A.I. with PwC's emerging technology practice in Dubai, gave a brief demo of the concepts and ideas behind A.I. There are many good reasons for a business to adopt the technology, such as staying competitive in a market, innovating with new products, or driving internal efficiencies in a company. He presented an example of an A.I. tool or neural network that has been trained

to understand certain patterns that can help firms to decide whether a new client is a high or low risk.

IMMENSE OPPORTUNITY

David Haveron, an expert in A.I. with PwC's emerging technology practice in Dubai

Mr Haveron said the innovation that's going to happen in the next few years "will be profound, and nothing like we've witnessed before". He added that there is "an immense opportunity" at a global and at a regional level, to start understanding how A.I. is going to be used in businesses to help us make better decisions. "Algorithms are becoming increasingly prominent in everyday life, whether you're looking at insurance industries or audit and accounting, leveraging A.I. will be on everyone's agenda in the next couple of years."

The key to "bridging the gap of trust", as he put it, is for developers to ensure transparency by making A.I. systems better at explaining their reasoning using natural language. "A lot of development is being made in this space to make us trust A.I. a little bit more," he said. Technologies like blockchain and new collaboration models have the potential to redistribute power that resides with governments and large corporations today. "This is going to be a really interesting story to watch… You've got to be an optimist and hope that these technologies will be taken back by the people and leveraged to solve some of our most important problems."

TECHNOLOGY'S THREAT TO EMPLOYMENT

SAICA Chief Executive Freeman Nomvalo

SAICA Chief Executive Freeman Nomvalo brought an African perspective to the discussion, noting that technology's threat to jobs has particular repercussions in poorer parts of the world. "The challenge is that it displaces employment, and for a growing economy that has faced poverty over the years, that becomes an important issue for policymakers to respond to," he said. "Society has got to embrace technology because it will help us advance, but these issues begin to raise questions: should we trust this technology when it comes to take our jobs?

Bryan Stirewalt, CEO of the Dubai Financial Services Authority, noted that technological innovation is a necessary component of financial services. It has enabled auditors to sign off accounts faster than ever and allows for earlier warnings about risk. It has also created disruption in the market, which should force professions to start thinking about the effect it could have on their roles.

In a nod to the arrival of technologies like robotic process automation into finance functions, he joked: "We're fighting to keep the four letters 'robo' out of our job title." On a serious note, he said he expects a human element of accountancy and audit work will remain, but it will need to change. "If your job can be reduced to a process map, you probably won't have a job. So the end of the process map is where the future of industry lies, and that's where people need to be trained and skilled… You can't think of today's job and what technology does to that; you must think of tomorrow's job and where technology meets that," he said.

THE HUMAN FACTOR

Sabbir Ahmed, Member Council at the Institute of Chartered Accountants Bangladesh

Sabbir Ahmed, Member Council at the Institute of Chartered Accountants Bangladesh, said human decision making and relationships remain important for business, even as tools like A.I. augment their ability to gain insights.

"Machines cannot drive change – they will give you the prediction but it's the human being that will drive the change," he said. "One area where A.I. needs to match with is EI: emotional intelligence. Human beings cannot be replaced by machines. That human element and human empathy is core to trust," he said.

It is also important for accountants to question assumptions that technology may be based on, Mr Ahmed added. "We trust a black box to the extent that we can understand how that black box has calculated something. One element in our core DNA as an auditor is professional scepticism, [so] are we doing enough to challenge the model that A.I. has provided?"

Closing the discussion, Michael Izza said that the accountancy profession has a lot to think about. "There is no doubt that technology will have a significant impact on process-orientated, or compliance-orientated roles, where technology will be able to do it better, more accurately and more quickly. At the same time it offers huge opportunities for the profession to move up the value chain, and to play a role as data guardians in a world where we are drowning in data and starving in insight."

FINANCIAL MARKETS
AND THEIR ROLE IN THE ECONOMY

By Warren Ngwenya

INTRODUCTION

Financial market activity can have direct effects on a nation's economy, for example, when stocks fall, spending stops, consumers lose confidence and a nation's financial state falters. Conversely, when stocks rise, confidence spreads, while spending and investment grow.

Well-developed, smoothly operating financial markets play an important role in contributing to the health and efficiency of an economy. The combination of well-developed financial markets and institutions, as well as a diverse array of financial products and instruments, suits the needs of borrowers and lenders and therefore the economy. A strong positive relationship between financial market development and economic growth therefore exists.

Before the article gets into the nitty-gritties of the role financial markets play in any economy, and the impact they have had on the Zambian economy, we begin our discussion by understanding what the financial markets are all about.

DEFINITIONS AND EXAMPLES

A **financial market** is a market where buyers and sellers trade commodities, financial securities and derivatives such as futures and options at low transactions costs and at prices that are determined by market forces (Demand and Supply). Commodities might include gold, silver and other metals or agricultural products such as coffee, cocoa, wheat, while securities include bonds and shares.

Alternatively put, financial markets are places where the savings from several sources are mobilised towards those who need funds. They are intermediaries, which direct money from savers or lenders to sellers or borrowers.

The term "**market**" is sometimes used for what are more strictly exchanges, organisations that facilitate the trade in financial securities, e.g. a stock exchange or commodity exchange. This may be a physical location like the Lusaka Stock exchange (LUSE), New York Stock Exchange (NYSE), London Stock Exchange (LSE) or an electronic system like NASDAQ. These markets are places where corporations and governments come to raise cash, businesses reduce risks and investors aim to make money.

Markets that are used to raise finance include capital markets: for long-term finance, and the money markets: for short term finance. The capital markets may also be divided into primary markets and secondary markets. Newly formed (issued) securities are bought or sold in primary markets such as during initial public offerings. Secondary markets allow investors to buy and sell securities. Transactions on primary markets exist between issuers and investors, while secondary market transactions exist among investors.

Liquidity is a crucial aspect of securities that are traded in secondary markets. Liquidity refers to the ease with which a security can be sold without a loss of value. Securities with an active secondary market means that there are many buyers and sellers at a given point in time. An illiquid security on the other hand may force the seller to get rid of their asset at a large discount.

RAISING CAPITAL

Financial markets attract funds from investors and channel them to corporations- they therefore, enable corporations to finance their operations and achieve growth.

Without financial markets, borrowers would have difficulty finding lenders themselves. Intermediaries such as banks and investment banks can, of course, help in this process. Banks popularly lend money in the form of loans. However finance raised through the markets offers more flexibility to the borrower than a bank loan can. For example, with equity finance (money raised through the issue of shares), the company does not have to make a monthly loan payment which can be particularly important if the business doesn't initially generate a profit. In addition, debt finance raised through the markets has its own merits: borrowing commitments can be sold on to other parties and companies can borrow at interest rates that are below the rates offered by the banks, for example, through the issue of hybrid securities like convertible loan notes where the investor (the loan note holder) accepts a lower interest rate because of the conversion rights (the option to convert the loan into shares).

ROLE IN THE ECONOMY

Well-developed financial markets help to efficiently direct the flow of savings and investments in the economy in ways that facilitate the accumulation of capital and the production of goods and services; the financial markets allow for the productive use of the surplus funds borrowed and this enhances gross national production. The markets also serve as a barometer of a nation's fiscal health, broadcasting the ups, downs, trends and shifts of the domestic economy.

Financial markets also benefit investors by allowing them to earn interest or dividends on their surplus funds, thus contributing to the enhancement of the individual and the national income. The markets provide investors with a mechanism for selling of a financial asset, offering the benefit of marketability and liquidity for such assets.

In addition, efficient financial markets and institutions tend to lower search, information and transaction costs in the economy. Individuals, businesses and governments in need of funds can easily discover which financial market may provide funding and what the cost will be for the borrower. This allows investors to compare the cost of financing to their expected return on investment, thus making the investment choice that best suits their needs.

Information asymmetry in such cases is reduced allowing for more informed decisions to be made across various segments of the economy.

What happens without well- developed financial markets?

A lack of a well-developed financial market would be a serious disadvantage for any economy. In particular, developing nations with limited financial markets, instruments and financial institutions, as wells poorly defined legal systems, may make it difficult to obtain reliable information and costly to raise capital and this may lower the return on savings or investments. Limited information or lack of information transparency means that information is not readily available to market participants and risks may be higher than in economies with more fully- developed financial markets. In addition it is more difficult to hold a diversified portfolio in small markets with only a limited selection of financial assets and investment products.

In such thin financial markets with little trading activity and few alternatives, it may be more difficult and costly to find the right product, maturity, or risk profile that satisfies the needs of borrowers and lenders.

IMPACT ON THE ZAMBIAN ECONOMY

We end our discussion on financial markets by considering their impact on the Zambian economy.

Before LuSE (Zambia's only stock exchange) opened for business on 21st February 1994, shares in State owned enterprises could not be sold to the public. The State had monopoly over major economic interests, controlling and owning businesses in Zambia. State capitalism therefore suppressed the growth of competition in the economy.

The establishment of LuSE was part of the Government's broader economic reform aimed at stimulating a dynamic private sector to be the primary engine for economic growth in Zambia. A total of 25 companies are now listed on LuSE and the market capitalisation has grown to K60 billion (as of 16th January 2019) with more than K1 trillion issued corporate bonds since its inception, serving as a clear indication of growth of the local market.

But like most capital markets in developing nations, LUSE has faced a lot of challenges such as limited equity listings; narrow investor base and lack of diversity of products; low liquidity, limited public awareness and high transaction costs for companies in growth phase.

To address these challenges, several fiscal incentives have been put in place, i.e. no exchange controls; no restriction on shareholder levels; no restriction on foreign ownership and no capital gains tax.

All these incentives are evidence that a well-developed financial market matters.

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credits to domestic business), which is contrary to the fundamental principle of VAT-neutrality, may influence the VRR upwards for the wrong reasons.

ADDRESSING REVENUE LOSS

Countries are increasingly implementing measures to broaden the tax base for revenue collection and reduce revenue loss through fraud. This includes alternative collection mechanisms such as domestic reverse charge and split-payments in sectors that are particularly vulnerable to fraud, real-time VAT invoice reporting and electronic data transmission requirements; and enhancing the international administrative cooperation in the area of VAT (OECD, 2018).

HOW DID ZAMBIA PERFORM UNDER A VAT REGIME?

I have identified that tax reforms are intended to provide efficiency and fairness. Fairness means equity, wide, sincere stakeholder consultation, and opportunity for growth.

The World Bank ranks Zambia as a developing country with high levels of poverty and inequality. Conversely Zambia is resource rich and is one of the world's largest copper and cobalt producers (Worldbank, 2018).

VAT was introduced in Zambia in 1995 at a rate of 20%, replacing sales tax. The regime eventually evolved to incorporate the three categories of VAT, including standard rates, zero rate and exempt supplies. The current standard rate is 16% for companies with an annual turnover in excess of K800,000. Over the years, measures have been applied to achieve simplicity, certainty, equity and efficiency. The monitoring mechanism of VAT through the staged collection process and input/output returns has allowed ZRA to predict and manage revenue collection. This accrual method permits business owners to predict and budget their cash flows. Furthermore, the use of Electronic Fiscal Devices initiated in 2018 consented ZRA to further monitor the performance of VAT and detect fraud. Approximately a quarter of a century later, the disparity in VAT global trends between Zambia and the rest of the world is thin.

A key mitigating measure of the costly effects of VAT on poor families is the exemption of basic food stuffs, education and health care. Statistics show that poverty has reduced in Zambia by 2 % from 2010 to 2015 (Worldbank, 2018). However, the extent of the levels of poverty are not documented sufficiently, indicating that social development programmes cannot be fairly assessed.

Besides the increase in revenue collection, VAT was pioneered to promote business growth in line with the loosening of economic

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and political restrictions. Benefits of the VAT regime have been studied by various global institutions including a World Bank analysis of the growth of Zambia's business environment that has shown that 80 percent of private sector business in Zambia is conducted by enterprises with fewer than 50 employees. Most of these businesses are small informal operations, with less than five employees.

In spite of this, little is known about how these businesses perform and the constraints under which they operate. As a result, policy makers might induce misinformed policy changes.

GOVERNMENT'S REASON FOR ABOLISHING VAT REGIME

In May 2019, then Minister of Finance, Margaret Mwanakatwe, addressed business leaders and advised that the change in tax regime was necessitated to stop "debt escalation". In addition, Mrs Mwanakatwe advised that it was necessary to "increase revenue collection to support the government's social development programmes".

So the question I ask is: did a poor performing VAT regime cause the debt escalation and why? In addition, will the abolishment of VAT be the answer to an increase in revenue collection for the Government?

Subsequent articles will address these questions.

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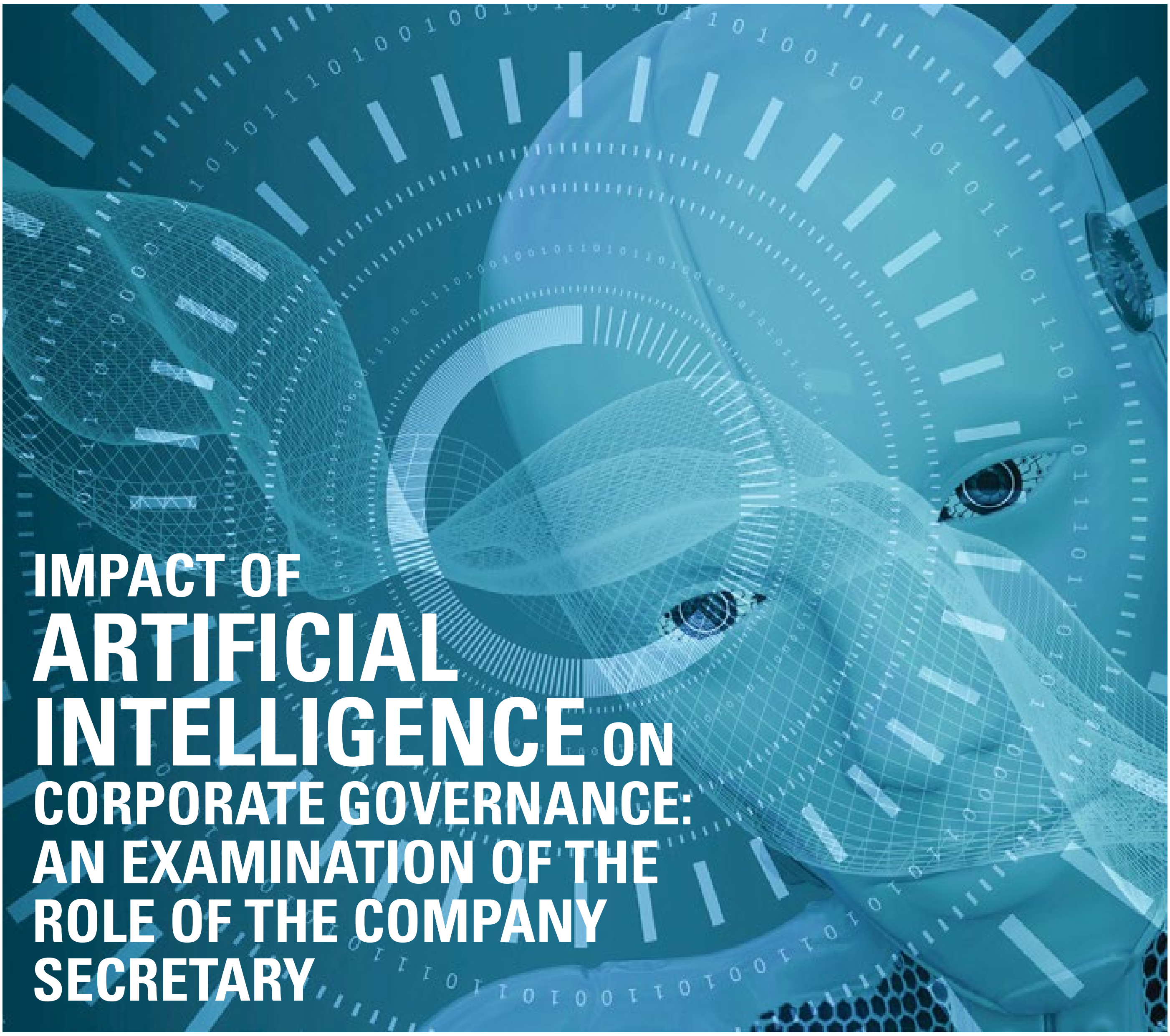

IMPACT OF ARTIFICIAL INTELLIGENCE ON CORPORATE GOVERNANCE: AN EXAMINATION OF THE ROLE OF THE COMPANY SECRETARY

By Sombo M. Chunda

Key words: Artificial Intelligence, Corporate Governance, Company Secretary

ABSTRACT

Corporate governance is changing as a result of technological advancements. This article considers technology, specifically how artificial intelligence (AI), is changing corporate governance by examining the role of the company secretary. The opportunities and challenges posed by AI are discussed and a conclusion is drawn that; modern corporate governance will continue to be impacted by technology, especially artificial intelligence and boards should be ready for this change.

INTRODUCTION

Advancements in technology are happening at an exponential rate. Breakthroughs in robotics, artificial intelligence (AI)[1], quantum computing, biotechnology and the Internet of things, the Industrial Internet of Things, and nanotechnology are all examples. Collectively, these technological advancements are known as the fourth industrial revolution, a term coined by Klaus Schwab, founder and executive chairman of the World Economic Forum (Xu, David & Kim, 2018). According to Schwab (2016), we are at the beginning of a revolution that is fundamentally changing the way we live, work, and relate to one another. More than ever, people need to be equipped not only with knowledge of facts or procedures, but also with more general problem-solving and reasoning skills that allow them to deal with new, unfamiliar situations in their professional and everyday life (Paas, van Merrienboer & van Gog, 2012). Company secretaries are not an exception when it comes to unfamiliar situations and it can be argued that their position places an extra responsibility on them to have a thorough understanding of the impact of technology on governance. Through an extensive review of literature and select interviews, this essay focuses on the duties of the company secretary, considers the opportunities, challenges, benefits, and risks that advancements in technologies might bring to the company secretary's role. By highlighting how AI is already in use in corporate governance, I am arguing that the role of the company secretary will continue to be impacted by technological advancements. This calls for deliberate actions to build the capacity of the company secretary to effectively respond to technology induced change.

Responsibilities of the company secretary

The responsibilities of the modern-day company secretary have evolved from that of

1. AI and technology will be used interchangeably to refer to the use of systems that ease processes and enhance the capabilities of the board to function in an efficient and effective manner.

a "note taker" at board meetings or "administrative servant of the board" to one which encompasses a much broader role of acting as "board advisor" and having responsibility for the organisation's corporate governance (Whelan & Shier, 2019). The company secretary is a strategic position of considerable influence at the heart of governance operations within an organisation (Institute of Chartered Secretaries and Administrators, 2019). This means that a company secretary should have the requisite qualification and competence to discharge the requirements for the strategic position occupied in the organisation. The company secretary needs to be a constant learner with knowledge of the various technological advancements and how they impact the execution of secretarial duties and the organisation at large. This can be overwhelming and it is easy to imagine that the company secretary should be a modern-day version of Italian polymath, Leonardo da Vinci, to be able to keep up with the responsibilities and meet the board and organisation expectations. It is imperative then that the company secretary should possess very particular mix of aptitudes and attributes (Baddeley & Sim, 2018).

The ICSA (2019) identifies eight main responsibilities of the company secretary as follows:

1. Guiding the chairman and board on their responsibilities under the rules and regulations to which they are subject and on how those responsibilities should be discharged (Cadbury, 1992).
2. Supporting the chairman in ensuring the board functions efficiently and effectively
3. Ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required
4. Maintaining good shareholder relations and keeping the board informed on shareholders' views
5. Developing and overseeing the systems that ensure that the company complies with all applicable codes, in addition to its legal and statutory requirements
6. Monitoring changes in relevant legislation and the regulatory environment and taking action accordingly
7. Overseeing the day-to-day administration of the company, e.g. maintaining statutory books, including registers of members, directors and secretaries, organising board meetings and annual general meetings (AGMs), preparing agendas and taking minutes.
8. Having responsibility for facilities, human resources (HR), insurance, investor relations, pension administration, premises and share registration (this only applies to some company secretaries).

AI: OPPORTUNITIES AND BENEFITS

AI as it applies to the board, corporate governance and the role of the company secretary is a fairly new area[2].The advent of the Internet 30 years ago, led to companies embarking on maintaining a website to provide information about goods and services, and a platform for interaction with existing and potential clients. Information including the governance structure and the roles and responsibilities of the corporate board and executive management is now publicly available. This shift to an online presence may have been a first bold 'tech' step for many companies and one that may have been met with various anxieties to transition through. Similarly, in modern times, AI presents many opportunities and benefits. For example, a new technology trend in dissemination of companies' information is the use of social media by companies to exude presence. This could have not been imagined in earlier decades but gives an opportunity to the company secretary to seek ways to make the board visible within the governance structure.

Though the use of technology in and by the board is a process being learned and understood simultaneously, there are many opportunities and benefits that are being realised. In the past, the company secretary spent a considerable amount of time and resources to print, bind and circulate board packs to the respective board members ahead of the legally mandated time. This time consuming and costly activity has been overtaken by technology. From electronic scheduling of meetings to circulation of board minutes, the company secretary is benefiting from technology in ways never imagined possible just two decades ago. Tools such as Board Effect, a secure, paperless software or app allows communication with board members, sharing documents, and annotating meeting minutes without any of the risks or waste that a paper board book provides (Board Effect, 2019). Board Effect is secure and the company secretary can upload board papers to be accessed by board members when they log into the software[3]. With Board Effect, the company secretary has control over what each individual board member can have access to by putting restrictions so that for instance only audit committee members can see the content that relates to their committee[4].

To ensure the conduct of board and annual general meetings, technology affords the possibility to meet virtually. On June 15, 2016, Equiniti, the specialist technology outsourcer, successfully delivered the United Kingdom's first electronic AGM for Jimmy Choo Plc (Equiniti, 2016). Such technological advancements make it possible for those that would not make it to join a meeting physically to attend remotely and have their perspectives heard. In addition, it has become widely acknowledged that diversity and inclusion are necessary in today's business environment. According to Peterson and Johnston (2018) diverse perspectives increase a board's objectivity and independence. AI presents an opportunity to the company secretary to utilise virtual meeting facilities to invite expertise to the board that may not ordinarily be available due to geographical distance or other factors.

Businesses work with and process huge amounts of data. The true advantage of AI in corporate governance is the ability to gather and analyse data (BoardBookit, 2019). In a first mover capacity, a Hong Kong based company Deep Knowledge Ventures (DKV), appointed a machine learning program called VITAL (Validating Investment Tool for Advancing Life Sciences) to its board (Dvorsky, 2014). VITAL, the UK developed tool, was given equal membership to the board to make investment recommendations not immediately obvious to humans (Dvorsky, 2014). The company secretary can use technology to research and carry out various simulations of the likelihood of outcomes of certain actions as a direct result of the board's action or inaction. The vast processing power of AI presents real opportunities to the board some of which are yet to be understood as technology develops and evolves.

Company secretaries are often part of emotionally charged boardroom environments (Baddeley & Sim, 2018). To diffuse conflict and tension, company secretaries can explore the benefits of machine learning to sense when a situation is about to escalate into tension. Conflict management expert in technology, Arik Segal, argues that technology will impact how humans communicate with each other and AI could offer solutions for conflict resolutions. According to Segal (2017), technology holds some advantages for the conduct of conflict resolution processes. The opportunity for the company secretary in board conflict management would potentially lie in contributing to the development of what observed conversations would lead to conflict and how those conflicts can be detected early.

There are many other software applications that have been developed and are being used by company secretaries to discharge their functions. This essay acknowledges that their omission does not mean that the opportunities and benefits they present are insignificant. It is also important to mention that more software applications may be in development to further streamline board processes.

2. Interview with International Federation of Accountants (IFAC) nominating committee member.
3. Interview with a financial management and board operations expert, Zambia
4. Interview with a financial management and board operations expert, Zambia

AI: RISKS AND CHALLENGES

A study of over 400 company secretaries, aimed at understanding millennial perspectives on the future of governance revealed that 84 percent of generation y/z[5] respondents reported that technological change is highly likely to cause significant governance challenges compared to 70 percent of established practitioners[6] (Bradley, 2018). This recognition of technological change as a challenge is grounded in profound uncertainty surrounding the development and adoption of emerging technologies (Schwab, 2016). There is a need for corresponding change in legal frameworks that guide corporate governance practices. Furthermore, the pace of integration of technological changes is different for each country depending on the level of development and availability of resources - presenting a different set of challenges for company secretaries in companies with cross border operations and board membership.

The risk to data security is perhaps the greatest challenge that AI presents to the company secretary. Almost every day, there is a new headline about companies being hacked (Else & Pileggi, 2019). The main causes of hacking are malicious or criminal attacks perpetrated by professional hackers or disgruntled insiders, human error or system glitch. A 2018 study by the Ponemon Institute LLC[7] on behalf of IBM Security found that the average cost per stolen record was $148 and the 477 companies surveyed that had experienced a breach over the immediate past 12 months of the study were 27.9 percent likely to have a recurrence of a material breach (Ponemon Institute LLC, 2018). In another study, it was found that companies experienced a decline of 5 percent of their stock price following a disclosure of their breach (Ponemon Institute LLC, 2017). The consequences of data breach can ripple throughout the company and have devastating and long-term financial consequences, including customer loss, decline in revenue, loss of competitive advantage and employees' inability to be fully productive (Ponemon Institute LLC, 2017). Use of technology to undertake the responsibilities of the company secretarial function exposes the company to these consequences of data security breach briefly discussed here. Therefore, there is a risk that the company secretary will be preoccupied with working on strategies to prevent a compromise on data security and in the process miss on consolidating the gains from the abundant opportunities and benefits.

Technology has a way of producing dependency on its use by users. Google maps as an example, is a tool that is often turned on even when the person driving the vehicle knows the exact location of where they are going. Because of the acknowledgment of the finite capabilities of human beings, what Herbert Simon termed as bounded rationality in decision making (Simon, 1997), dependence on technology can lead to a hands-off approach if not kept in check. To this effect, a future approach to AI in the boardroom can be by treating the technology as an augmentation to the board's abilities (van Rijmenam, 2017).

Disinformation and hoaxes that are popularly referred to as "fake news" are accelerating and affecting the way individuals interpret daily developments (West, 2017). In an event where someone with ill intent uses online media such as Facebook or Twitter to spread inaccurate information about a company, the company secretary would need to ensure that such an occurrence is handled in a professional manner. In addition, as computers and machines continually evolve into deep learning, it may be more problematic to discern how massive amounts of unreliable data are interpreted through AI (Else & Pileggi, 2019). This is another risk that the company secretary may potentially have to deal with to prevent the board from making decisions based on unreliable data.

CONCLUSION

From an efficiency standpoint, AI will continue to revolutionise the entire company secretary task portfolio, lead companies to amend their articles of association to allow for adaptation to the technology induced changes, and streamline board processes and operations. Technology will continue to be a main agenda item in the boardroom alongside opportunities and challenges it will present. The company secretary that recognises the need to consider advancements in technological developments as a board agenda, shows commitment to embracing these developments while working towards minimising and managing risks will be a highly sought-after asset. This is the future and a reality that is unfolding at present.

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6. In the same Next Generation Governance report, established practitioners refers to those aged between 56-65 years
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MERGERS AND ACQUISITIONS: WHY THEY FAIL

In order to achieve sustainable growth and survive competition, businesses employ a variety of strategic growth options. These range from investment into markets, divestment, discontinuing of a product line, withdrawal from a certain market, merging or acquiring others or enter into strategic alliances. The basic idea is staying active in the market and gain reasonable share of the market share.

In this article, we focus our attention on the strategic option of mergers and acquisitions and why most of them fail to achieve the anticipated business synergies. Mergers and acquisitions bring together two separate entities through complete changes in ownership. Throughout this discussion we will abbreviate terms mergers and acquisitions to simply M &As.

M & A deals have been taking place from time immemorial. They cut across different industries and sectors. More often they occur in waves. To a greater extent, they are influenced by external events such as economic booms or recessions. So far there have been five merger waves; the railroad wave of 1895 to 1905; the automobile wave of 1918 to 1930; the conglomerate wave of 1955 to 1970; the mega-merger wave of 1980 to 1990; the present globalisation wave of 1994 to date. The recent announcement by IBM on 28 October 2018 to acquire Red Hat in a deal valued at $34 billion raises speculation of a potential sixth merger wave, though it is too early to tell.

WHY MERGERS AND ACQUISITIONS FAIL

Most M&As fail due to a host of reasons. We may not cover all of them here but we will attempt to explore the two major ones.

PREMIUM PRICE PAID

Negotiating the right price for an acquisition target is absolutely crucial. Offer the target too little, and the bid will be unsuccessful. The price paid in any M&A deal has a significant impact on the success or failure of such a deal. Two thirds of M&A deals in which the price paid for was above the premium price have failed to achieve a profit net of the original acquisition price. For example, in 1980, Imperial Group paid $630 million for Howard Johnson in record fee then. This price was double the market price in that year. In the end, this merger failed to recover the purchase premium. The result was a ***winners' curse***; a situation in which the acquirer pays so much that the original cost may never be recovered. The Royal Bank of Scotland learnt the hard way when they competed fiercely with Barclays Bank to acquire the Dutch Bank ABN AMRO: while The Royal Bank won, the extravagant price paid in excess of €70bn soon drove The Royal Bank into financial malaise and the government was forced to take ownership of the bank to protect it from total collapse.

POOR CULTURAL INTEGRATION

While M&As bring together two different entities together for the very first time. These entities have previously been operating differently. In consequence they have different cultures and way of running business. Different working cultures have a huge impact on the success of the business combination. Cultural differences emanate from the fact that companies develop and operate under different cultures, which are influenced by national boundaries. Company work culture, systems, and company composition differ from one country to the other. For example, Germans place much emphasis on tasks, Italians derive authority from their job title, and Scandinavians appreciate relationships at places of work much more.

To overcome these cultural differences, it is critical for merging organisations to have a rich appreciation of the underlying drivers of such differences and developing a master plan of dealing with the issues therein. One of the ways that this could be achieved is to have team leaders from both camps that understand both cultures, and have some reasonable experience of what could work on both fronts. When not well handled, the business combination fails to achieve the anticipated objectives. For example, the acquisition of Chrysler by Daimler Benz proved to be a costly failure due to cultural integration issues. Bringing together top management teams of two separate entities is not an easy undertaking. It is quite complicated and requires a great deal of high-level skills of people management and to some extent some patience.

From our discussion, we have established that M&As failure occurs when key strategic issues are not given the required attention. In the end, this failure comes down to lack of organisational and strategic fit. Successful M&As such as Facebook acquisition of Instagram or Disney acquisition of Pixar demonstrate that it is important to carry out a robust system of ensuring that the right price is paid for the target company, integration issues are adequately dealt with, and effective due diligence is undertaken.

Most M&As start out as best deals only to fall apart midway into the deal. Such failed corporate marriages have proved to be costly. It is, therefore, important for the management team of the acquiring company to put in place strategies that guarantee future business success. On the Zambian front, we do hope that the acquisition of Finance Bank and BANC ABC by Atlas Mara will be a success and will achieve the anticipated business synergies. And while this deal looks promising on face value, only time will tell.

Kingford Kalobi is a 2017 ACCA Zambia Award winning Chartered Accountant. He is a finance professional with work experience spanning over 13 years in Accounting, Business and Finance. A member of both the Association of Certified Chartered Accountants and Zambia Institute of Chartered Accountants, Kingford also holds a Master of Science in Professional Accountancy from the University of London.

GOVT EXPLORES MODALITIES TO PAY ZICA ANNUAL SUBSCRIPTION FEES FOR GOVT ACCOUNTANTS

By Accountant Journal writer

On May 25, 2019, at the Zambia Institute of Chartered Accountants (ZICA) held its 34th Annual General Meeting (AGM) at the Avani Victoria Falls Resort, with former Finance Minister Margaret Mwanakatwe as guest of honour.

Officially opening the AGM, Mrs Mwanakatwe challenged delegates to rededicate themselves to the ideals and values of the accountancy profession.

She expressed the government's satisfaction over the achievements that ZICA and profession had made during the past year.

She noted the institute's plans to develop the 5,000 seater Shuungu Namutitima International Convention Centre (SNICC) alongside the development of a five (5) star hotel, a three (3) star hotel, 10 presidential villas, and an 18-hole championship golf course on the 107 hectares of land which the institute owns in Livingstone.

"His excellency the president Mr. Edgar Chagwa Lungu gave our government's commitment to support this bold project on the sidelines of the ESAAG conference held in February 2019 by providing the Institute with a sovereign guarantee to enable the Institute secure affordable finance," Mrs Mwanakatwe said.

She reaffirm the position of President Lungu and looked forward to receiving the necessary documents from the institute to move the process forward.

"The development of SNICC will enable Zambia host major international conferences in the heart of the tourist capital which boasts of one of the seven wonders of the world, the mighty Victoria Falls," Mrs Mwanakatwe said.

She indicated that the facilities that the institute plans to establish are what her government hopes other investors and professional bodies can emulate and also to contribute to job creation, diversification of the economy as well as to enhance Zambia's competitiveness as a business and tourist destination.

She also noted the significant strides that the Institute is making to develop an ultra-modern multi-storey office complex at the Accountants Park On Thabo Mbeki Road In Lusaka.

Mrs Mwanakatwe assured accountants of the government's commitment to ensuring that accountants in the civil service adhere to the accountants' Act of 2008 by being in good standing with the Institute.

"My ministry is exploring modalities which would enable government pay the annual subscription fees for the Accountants in government to ZICA," she said.

Mrs Mwanakatwe urged all employers in the country to only employ accountants who are registered with ZICA.

"Employing accountants who are not registered with ZICA is an offence under the accountants Act of 2008, and employers are accordingly warned," she said.

"The Government is very committed to supporting the Institute in making sure that persons masquerading as accountants and employers who recruit such persons who are not registered with the Institute face the law. In the same vein, I would also like to urge all accountants to be ethical and professional when handling financial affairs of clients or employers. Your conduct in the execution of your duties must espouse the values and code of ethics of the accountancy profession at all times."

Mrs Mwanakatwe also told members that the public finance management Act number 1 of 2018, was enacted by parliament last year.

This act, according to the minister, is aimed at providing for an institutional and regulatory framework for the management of public finances.

"The government is committed to the effective implementation of this Act in order to safeguard public resources. I would like to appeal to all accountants in both the public and private sectors to desist from misappropriating funds," she stated.

"As you may be aware, the Government has chosen to adopt International Public Sector Accounting Standards (IPSAS) by 2024 as the financial reporting framework for the public sector. The government will be looking to partner with the Institute on the provision of technical assistance towards capacity building for the public sector on the IPSAS' implementation."

Mrs Mwanakatwe also took time to appeal to all accountants, particularly those in the habit of issuing adverse social media statements to stop the practice as it hurts the economy.

ZICA president Jason Kazilimani Jr reassured the government of the institute's resolve to continue being available, relevant and reliable partners in their role as advisor to government and as a regulator and membership body of the accountancy profession in Zambia.

He commended the Government for postponing implementation of the Sales Tax to allow for wider consultation with key stakeholders.

"We would like to thank the Ministry of Finance and the Zambia Revenue Authority for continuously engaging ZICA on issues of national interest such as the Sales Tax Bill 2019. This shows how much the government considers ZICA as a partner on the economic development agenda of our country," Mr Kazilimni said.

He informed the delegates that the Institute has continued with its income diversification strategy and on the progress made on the SNICC and the ultra-modern office complex.

"May I take this opportunity to encourage all members of the institute to rally behind this cause by expeditiously paying for the investment units under the ZICA property fund in order for the Institute to achieve this milestone," he stated.

"The Institute is on a transformational journey aimed at improving the way we do business, which includes interfacing more on digital platforms with members and the public through initiatives such the ZICA App, which we will be launching within this quarter. In addition, the Institute is continuing to establish key partnerships with government, other regulatory authorities, regional and international professional accountancy organisations, tuition providers, industry and commerce. Some of the key partnerships in the pipeline include launching the accelerated Bachelor of Science Degree in Accountancy for the Chartered Accountants (CA) Zambia qualification in conjunction with ZCA University. CA Zambia is the premier national chartered accountancy qualification, which must be supported by all patriotic Zambians, charity must surely begin at home in this regard. Additionally, ZICA is in active bilateral discussions with the south African institute of chartered accountants (SAICA), the institute of chartered accountants for England & wales (ICAEW), the institute of chartered accountants of Zimbabwe (ICAZ), the Institute of Chartered Accountants of India (ICAI), among others, for mutual recognition of the CA qualifications of each institute and free movement of professional accountants."

Mr Kazilimani stated that on 1st February 2019, ZICA signed a mutual recognition agreement (MRA) with the competent authorities of professional accountants and auditors under the Accelerated Programme for Economic Integration (APEI).

"The APEI is an initiative of five (5) southern African countries namely, Malawi, Mauritius, Mozambique, Seychelles and Zambia who agreed to accelerate their economic integration by harnessing foreign investment, creating enhanced employment opportunities and fostering higher economic growth through sharpening their competitive edge," Mr Kazilimani explained.

"A key pillar of APEI agenda is the facilitation of movement of business people and professionals between APEI countries. ZICA believes that the signing of this MRA is a key milestone on our agenda of having mutually beneficial strategic partnerships for our members. We therefore wish to take this opportunity to thank the government of the republic of Zambia, for the initiative as going forward this move will create enhanced employment opportunities for professional accountants and auditors."

Mr Kazilimani also welcomed new secretary and chief executive of the institute, Mr. Bonna Kashinga, who joined the institute on 1st November 2018 and assumed full responsibility of the office on 1st January 2019.

He also extended an invitation to President Lungu to officially open the 35th annual general meeting or the 2020 annual ball to be held in April 2020 and also to officially open the 2019 annual business conference to be jointly hosted by ZICA, ACCA and CIMA from 13-16th august 2019 at Avani Victoria Falls Resort.

Meanwhile, Deputy Secretary to Cabinet Mr Christopher Mvunga told Accountants during the annual ball that the Government has chosen to adopt the International Public Sector Accounting Standards (IPSAS) by 2024.

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

He told the delegates that the Zambian government has chosen to adopt IPSAS by 2024, as the Financial Reporting Framework for the public sector, which includes non-profit oriented state owned entities (SOES).

The development of the IPSAS, he said, has its origins in the accountancy profession as a way to enhance accountability and transparency of public sector financial management, which contributes to strengthening public confidence in the public sector.

"There is compelling evidence that IPSAS will give public sector entities better clarity on their financial position, enhanced standardisation of financial information, thus, helping them improve efficiency in their auditing processes, financial reporting and policy development," according to Mr Mvunga.

He told the accountants that the government expects that the adoption of the full accrual IPSAS will yield these results and more.

Mr Mvubga said the government will be looking to partner with the Institute on the provision of technical assistance towards capacity building for the public sector on the IPSAS implementation.

"It is gratifying to note that the institute hosts annual IPSAS update workshops for public sector accountants and that this year it has so far hosted the IPSAS update workshop which was held from 11-12th April 2019 in Siavonga," Mr Mvunga noted, emphasising government's "full commitment" to implementing various public sector financial management reforms. "In line with this commitment, government last year enacted the Public Finance Management Act of 2018 and which has been operationalised. A number of reforms have followed the enactment of that Act, including the elevation of the positions of Accountant General and Controller of Internal Audit to permanent secretary level and the creation of finance director positions to enhance the authority of these officers in the public sector financial regimes," according to Mr Mvunga.

He told directors of finance in the public sector to provide professional advice on financial management issues to their respective controlling officers to stem out audit queries and ensure full compliance with the governing financial regulations.

"This should include, exploiting use of ICT and electronic financial platforms to disintermediate use of cash which is a key incentive for financial irregularities. As an example, why should public service officials carry cash in imprest form as opposed to credit and debit cards? How many ministries and spending agencies have deployed online banking platforms to enhance efficiency and financial controls?" Mr Mvunga wonders. "I wish to urge the directors of finance in the public sector to work closely with the office of the accountant general to promote deployment of more efficient digital financial products that financial institutions are offering to promote efficiency and reduce financial irregularities."

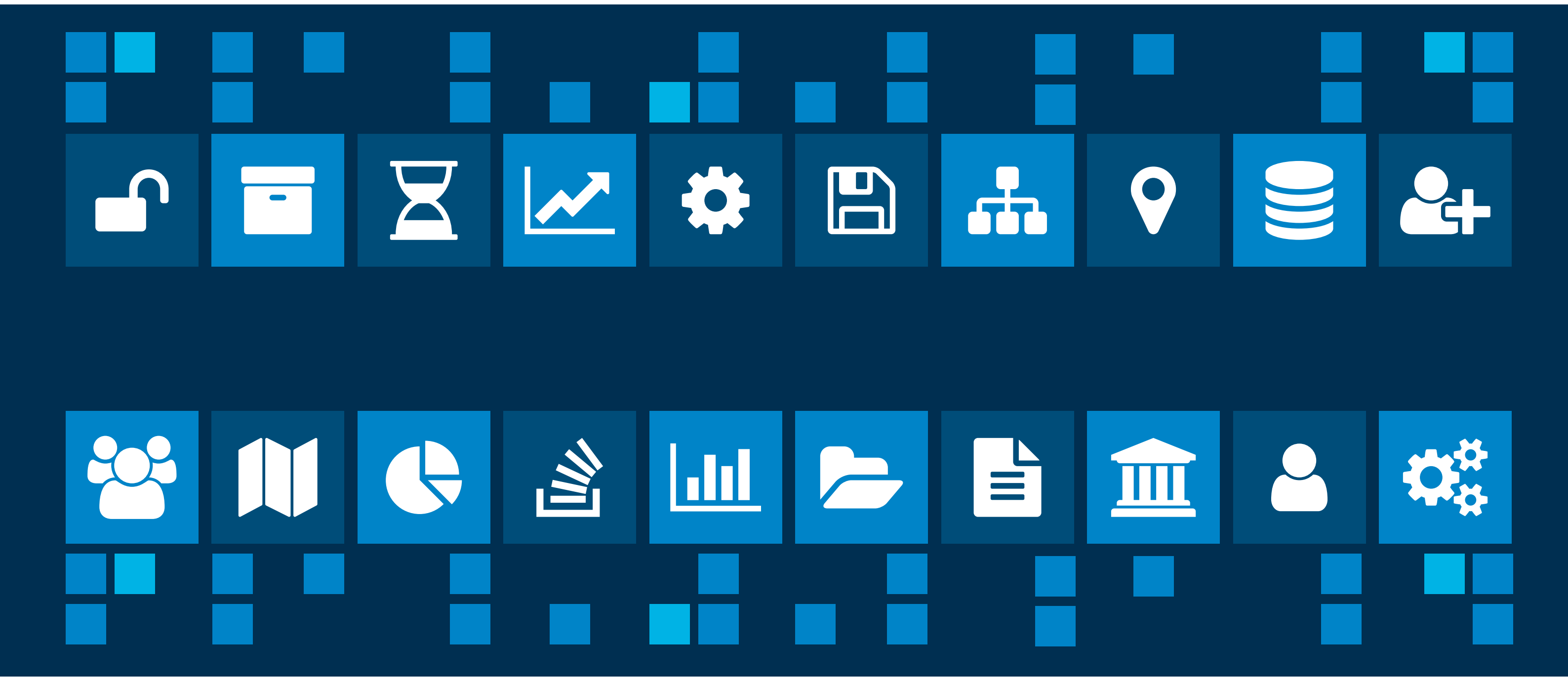
Mr Mvunga also updated the accountants that Cabinet on Monday, 15th April 2019 approved the Accountants Bill 2019, which is expected to repeal and replace the accountants Act no 13 of 2008.

The Accountants Bill 2019 has enhanced provisions and powers of the Institute in dealing with cooperation with other law enforcement agencies on financial crimes investigations, false and reckless accounting, public interest disclosures and enforcement of a code of ethics, among others.

He encourages accountants to familiarise themselves with the Accountants Bill 2018.

"It is the expectation of government that the institute will now work closely with the ministries of finance and justice to address all issues related to the work of concluding the bill so that it can be presented to Parliament for consideration," he said.

"May I conclude by indicating that government through Cabinet looks forward to working with the institute in driving financial reforms and advancing the development agenda of our country as articulated in Zambia's Seventh National Development Plan and Vision 2030."



TECHNICAL UPDATES

FINANCIAL REPORTING – IFRS

Tax Transparency, Complexity, Inequality and Corruption are the Biggest Concerns for the Public in G20 Countries, Finds New Survey

The newly published sequel to the 2017 G20 public trust in tax report from ACCA (the Association of Chartered Certified Accountants), CA ANZ and IFAC (the International Federation of Accountants) reveals a high level of distrust among the public in politicians and non-government organisations (NGOs) when it comes to tax systems.

The new report also shows that public trust in professionals, such as accountants and lawyers, remains high by comparison.

When it comes to evaluating their tax systems, respondents across G20 nations are most concerned about transparency, complexity, inequality and corruption in tax systems.

Respondents' concerns about inequality stem from the perception in English-speaking countries that high income earners and multinationals are treated better by tax systems than average or low income earners. Respondents in China, Indonesia and India had high levels of trust in tax authorities, politicians and accountants, reported efficient tax filing, and supported tax competition to attract multinational business.

G20 public trust in tax report is based on an online survey of more than 8,400 members of the general public across G20 countries and New Zealand, revealing that respondents have:

- a trust deficit amongst politicians and the media; 58 per cent of respondents expressed distrust or strong distrust in politicians, down nine per cent since 2017. Similarly, distrust in the media stands at 37 per cent down four per cent since the last survey;
- the highest level of trust in professional tax accountants at 55 per cent, down a marginal two percentage points compared to 2017, and professional tax lawyers at 50 per cent, up one per cent;
- consistent levels of mistrust year-on-year in non-government organisations at 37 per cent, an increase of two percent compared to 2017;
- divided views of trust in government tax authorities, with 37 per cent saying they trust or highly trust tax authorities and 34 per cent distrusting or highly distrusting them.

Accountants Must Seize Opportunity to Drive Effective Enterprise Risk Management

Professional accountants have a meaningful opportunity to enable more effective Enterprise Risk Management (ERM) within their organisations.

Businesses face rapid change and increasing uncertainty driven by a myriad of factors, including geopolitical events, volatile financial markets, technology developments, cyber security, data privacy concerns, and climate change. According to the report, professional accountants can play an amplified role within their organisations to identify measures and mitigate emerging risks through robust ERM practices.

The report underscores the reality that risk management remains underdeveloped in many organisations. To drive more effective ERM, management must draw upon the Chief Financial Officer and finance function to ensure risk management practices provide a holistic understanding of opportunity and risk linked to objectives and value creation. "This is a particularly uncertain time for businesses as the global economy experiences heightened volatility and rapid change. In this environment, proper risk management will be increasingly important for organisations to ensure their resilience and success over the long term," said Kevin Dancey, IFAC CEO. "Professional accountants are well positioned to better serve the organisations they work for by enabling effective enterprise risk management that identifies both risks and opportunities for the business."

CFOs and accountants with clear risk management responsibilities are in a better position to make individually and functionally greater contributions to risk management. The report identifies three ways in which CFOs and finance functions can enhance their contribution to ERM:

- Align risk management with value creation and preservation;
- Drive insights and enable decisions through provision of risk modelling and analytics, data governance and identification of organisational risk appetite; and
- Enable integration and interconnectivity by breaking down siloes across the organisation to share information.

INTERNATIONAL ACCOUNTING STANDARDS BOARD PROPOSES ANNUAL IMPROVEMENTS TO IFRS STANDARDS

The International Accounting Standards Board (Board) has today published proposed narrow-scope amendments to four IFRS Standards as part of its maintenance and improvements of the Standards.

Annual improvements are limited to changes that either clarify the wording in an IFRS Standard or correct relatively minor unintended consequences, oversights or conflicts between requirements in the Standards.

Matters dealt with through annual improvements often arise from questions submitted to the IFRS Interpretations Committee.

The four proposed amendments included in this year's annual improvements consultation document are:

STANDARD	PROPOSED AMMENDMENTS
IFRS 1 First-time Adoption of International Financial Reporting Standards	Simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRS Standards after its parent company has already adopted them. The proposed amendment relates to the measurement of cumulative translation differences.
IFRS 9 Financial Instruments	Clarify the fees a company includes in assessing the terms of a new or modified financial liability to determine whether to derecognise a financial liability.
Illustrative Examples accompanying IFRS 16 Leases	Remove the potential for confusion regarding lease incentives by amending an Illustrative Example accompanying IFRS 16.
IAS 41 Agriculture	Align the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The comment deadline is 20 August 2019.

ETHICS

Dealing with Ethical Dilemmas with Confidence

Being a professional accountant requires much more than professional competence in technical matters. The actions or inactions of accountants, whether they are working in business, advisory or audit, influence decisions and actions of others, and contribute to the moral bearing of organisations and societies. Accountancy, as with other professions, is in fact, a social and moral practice.

For an accountant to be a trusted advisor or business partner, professional ethics is fundamental. Professional integrity should be valued for bringing credibility to decision making and safeguarding the interests of stakeholders. Doing the right thing is as important as being a technical expert. To this end, accountants in business need to be conscious of how they influence ethical business culture. Professional accountancy organisations need to think innovatively on how to support them in discharging their ethical responsibilities.

The Moral Intervision Model is a practical and simple framework that helps people decide what or what not to do in situations where they are required to make a moral assessment. The approach is designed to help with everyday situations, and help to apply professionalisation, learning and self-improvement.

The Six Key Steps in the Moral Intervision Model

1. What am I required to make a decision on? This involves outlining the nature and context of the dilemma including why it is a dilemma for the individual involved. It is important to describe the dilemma from a personal perspective, detail what action the individual is considering taking, or not taking (not doing something can, in certain cases, also be considered an action), and the options they are considering and not considering.

2. Who are the stakeholders affected? Taking stock of all the parties, individuals, and organisations involved whose rights or interests are affected by the decision.

3. What do the rules of professional practice, business or governance codes, or other binding laws and regulations say?

There are frames of reference that may be helpful in forming a judgment and decision-making, including:

The International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), or Code of Ethics from the IFAC member body should be a primary reference point. The five principles of the Code need to be considered as well as any specific safeguards that can be actioned. Safeguards are the actions, either individually or in combination, that an accountant can take to reduce threats to compliance with the fundamental principles to an acceptable level. Not all threats can be addressed by the application of safeguards.

The organisation's code of conduct and values. Many organisations have an employee code of conduct or ethics.

Relevant laws and regulations that need to be considered, including relevant case law, and guidance (although if an action is legal it does not necessarily mean it is morally right hence why the approach the model is focused on making a moral assessment). Others are Codes of best practice such as corporate governance or director's code.

4. Which arguments can be made for the possible decisions and alternative courses of action?

To establish a position – to do or not do something – one needs to be able to raise arguments for it that are powerful enough to persuade others. One must also bear in mind any arguments that may be raised against the position. The point is not to neutralise such counterarguments, but rather to show that they were taken into consideration and be able to state in a conclusion how one intends to do justice to those counterarguments. It is helpful to set out the arguments in favour and against taking a particular course of action. The Royal NBA uses Muel Kapteijn's model of Neutralisation Techniques to outline common excuses to defend certain situations, which might not in fact be substantial considerations or arguments. Typical excuses or "neutralization techniques" include: distorting the facts ("it is not the truth"), negating the norm ("it is not decisive"), blaming the circumstances ("it is beyond my control"), and hiding behind oneself ("it is a lack of self-control" or "I really didn't think I was doing anything wrong at the time").

5. What is my conclusion after discussing the dilemma with my group members and answering all the questions above?

Once the arguments in favour and against have been exchanged and weighed, a clear conclusion can and must be formulated. Specify which arguments tipped the scales. Consider if it is possible to formulate a creative solution that does justice to as many arguments (for and against) as possible.

In doing so, explore whether there would be a way to mitigate any negative consequences to certain stakeholders. The consequences should be included in the list of arguments that were judged to be less important.

6. What is my individual decision or action? Am I going to actually do it?

Finally, it is important to address the key questions, "can I live with the consequences of my decision?" and "am I going to follow through with the decision?"

A final question is to consider what action you would take if the situation was in the public domain, and whether your actions might be different in a situation of public scrutiny.

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 1stJuly 2019. In this edition, we highlight the ZICA comments on 2019 Sales Tax Bill.

OUR DETAILED COMMENTS ON

THE BILL

Observation

The Bill sets two rates for sales tax as follows:

"10. (1) A tax on a taxable supply shall be charged on the taxable value at the rate of:-

(a) Nine percent in case of goods and services supplied within the Republic; and

(b) Sixteen percent in the case of imported goods and services.

(2) Despite subsection (1), the Minister may, by Statutory Instrument, prescribe a lower rate of tax in respect of a taxable supply. "

Our comments

Setting a higher discriminatory rate on imports will have adverse ramifications given that majority of the taxable supplies made in Zambia rely on imported raw materials or inputs.

We note from our perusal of the exemption list that a number of inputs used in manufacturing have been omitted. Unless an exemption is provided to all importers of goods and services for making other taxable supplies, the effect of the dual rates is that the imported inputs will be taxed at 16% while the final product therefrom will be taxed at 9%. As the input sales tax of 16% is not claimable, this will result into increased cost to the taxable supplier. Further, we have noted the possible breach of Article II of GATT.

We also note that rates being proposed are too high and will lead to increased prices and may be inflationary given the cascading effect. Further, the Bill empowers the Minister to lower the rates above by way of Statutory Instrument. We are of the view that the authority given to the Minister on Sales Tax should rather be exercised in general through an amendment of the Act. The rate of tax is too significant for Parliament to delegate to the Minister, even assuming the best of intentions.

Our proposal

Our proposal is to have one rate applicable to all supplies. However, in the event the intention is to encourage domestic sourcing and procurement, then the provision should be amended to ensure clarity and eliminate unintended punitive effect. The higher rate should be applied to selected products. We propose that this clause be revised to the following:

"10. (1) A tax on a taxable supply shall be charged on the taxable value at the rate of:-

(a) Nine percent in case of goods and services supplied within the Republic or imported into the Republic but subject to the provisions of Section 10(1)(b);

(b) The Minister may, by Statutory Instrument, designate certain imported goods and services as taxable at the rate of Sixteen percent.

In the event that this is not accepted, we propose a reduced rate of tax to take into account the cascading effect. A rate higher than 5% will ultimately result in effective tax in excess of 20% depending on the value chain.

Section 16 – Exemptions

Observation

Section 16 sets out the exemptions applicable for Sales as follows.

"16. The Minister, may by statutory instrument exempt from tax:-

(a) Capital goods;

(b) Inputs;

(c) Designated basic and essential goods and services;

(d) Designated supplies to privileged persons;

(e) Exports."

Our comment

While it is important to give the Minster the power to give exemptions from tax, the provision is broad, unclear and may create ambiguity because the terms referred to therein are not defined. It is also not clear whether the exemptions are automatic, or the taxpayer must petition the Minster to obtain the exemption.

The draft exemption schedule that was released by the ZRA does not indicate if there will be a form of verification required before taxpayers can consider their inputs or products exempt. It is not clear if taxpayers are merely required to self-assess and determine their own qualification for the exemptions. If not, it is not clear what process must be followed.

We have also perused the Exemption list and noted many omissions. It is clear that an exemption list is not an adequate mechanism to deal with the cascading effect of sales tax on inputs.

Our proposal

To ensure clarity and certainty, our proposal is that the exemption with respect to capital goods, inputs and exports be expressly written into the law but the Minister granted power to make exclusions if necessary.

To this end, we propose that this clause be revised to the following -

"16. (1) For the purpose of Section 5, the following supplies shall be exempt from tax:-

(a) Inputs;

(b) Designated capital goods set out in Schedule I;

(c) Designated basic and essential goods and services set out in Schedule I;

(d) Designated supplies to privileged persons set out in Schedule I;

(e) Exports."

(2) Notwithstanding the provisions of Section 16(1) above, the Minister, may by statutory instrument exempt from tax any other supplies not referred to above or vary the list of supplies referred to above."

You will note that we also propose the introduction of Schedule I to set out the designated capital goods, qualifying privileged persons, basic & essential supplies

Section 20(4) – Assessment of tax

Observation

Section 20(4) deals with assessments that are voided or become moot by passage of time as states as follows:

"20 (4) Despite the provisions of this section, an assessment based on the incorrectness or inadequacy of a return is void if not made within two years after the Commissioner General first had reason to believe it was inadequate or incorrect

Our Comment

This provision is commendable as it is aimed at providing certainty to taxpayers in the face of assessments that could possibly be raised for an indeterminate period after the return is lodged. However, while we appreciate the effort to restrict the period of assessment to two years, this clause appears to be, narrow, ambiguous and open to misapplication. In practice, there are various reasons (including inaccuracy and inadequacy) why the Commissioner General issues assessments. However, this provision is restricted to only two reasons without stating what happens in all the other instances.

Further, it is not clear when the two-year period should start running as it is not stated how the taxpayer would know when the Commissioner General "first had reason to believe" the return filed was inadequate or incorrect. Such a determination would be entirely subjective and the taxpayer would have no way of knowing when the Commissioner has reason to believe an error exists. Even relying on a reasonableness test, no two taxpayers will agree as to what a reasonable period is.

Our proposal

We propose that a general restriction be imposed on the time limit for raising assessments. This will bring certainty with respect to audits and assessments thereof. Accordingly, we propose that this clause be revised to the following -

"20(4) Despite the provisions of this section, the Commissioner General may issue an assessment—

(a) in the case of gross or wilful neglect, evasion, or fraud by, or on behalf of, the taxpayer, at any time; or

(b) in any other case, within six years from the date that the taxpayer submitted the return to which the assessment relates."

Section 21(2) – Accounts and records

Observation

This provision specifies the time for maintaining accounts and records as follows:

"21.(2) A record kept under this subsection shall be:-

(a) Maintained for a period of ten years from the latest date to which the record relates;."

Our comment

Whilst we acknowledge the recent changes to transfer pricing legislation (in the Income Tax Act) requiring maintenance of records for 10 years, it is not clear if this is necessary for sales tax purposes. Whilst it may be argued that transfer pricing is highly specialized and may require lengthy audits, the same cannot be said about Sales Tax. A lengthy period such as 10 years brings challenges that include:

(a) Many companies will change systems and personnel over a period of 10 years. In the interest of the environment and efficiency, many companies have migrated to electronic records (this is acknowledged by the ZRA hence the introduction of fiscal devices). Further, many operating systems such as MS Windows versions cannot feasibly be supported up to 10 years. As such, many businesses may find themselves with records that they cannot access.

(b) The timeframe for maintain records must be reasonable to provide certainty to taxpayers. Certainty is a key feature of any good tax system. This includes providing certainty to companies that may have acquired other companies. No party wants to engage in a merger or acquisition and provide an indemnity for 10 years. The parties would never move on from that transaction.

Our proposal

To cure this issue, we propose that this clause be revised to the following: -

"21.(2) A record kept under this subsection shall be :-

Maintained for a period of six years from the latest date to which the record relates;."

Section 22 – Registration & de-registration of taxable supplier

Observation

Section 22 sets out the criteria for registration [Section 22(1)-(3)] and deregistration [Section 22(6)-(7)].

Our Comments

The key criteria for qualifying for registration appears to be "carrying on business" in the Republic. Given that the fundamental criteria for sales tax registration is "carrying on business in the Republic", it implies that the suppliers of taxable supplies falling within the scope of Section 13(3) or 13(4) in terms of which services are merely utilised in the Republic would not be required to register for sales tax since the said suppliers do not carry on business in Zambia. Instead, their supplies are deemed to be made in Zambia. Further, no other mechanism has been provided in the Bill through which the said suppliers can account for sales tax on their supplies deemed locally supplied.

In setting up a sales tax compliance mechanism for such suppliers, it is critical to take cognisance of the fact that these suppliers are all non-residents who would thus not be able to fully implement the sales tax compliance process as if they were operating locally. Therefore, our proposal is to establish a simplified sales tax regime specifically for the Section 13(3) and 13(4) suppliers.

Our proposal

To address the issues highlighted here, we propose that:-

- reference to "carrying on business in the Republic" found in Section 22(1) be substituted with "makes or is deemed to be making taxable supplies in the Republic"
- A new Section 22(8) be introduced to provide the following:

"22. (8) Notwithstanding the provisions of Section 22(1), with respect to the suppliers falling within the scope of Section 13(4), the Minister shall, by Administrative Rule, establish a simplified regime sales tax registration, compliance and de-registration regime."

SCHEDULE - Transitional Provisions

Observation

The schedule to the Act sets out the various transitional rules as the VAT Act is repealed. We summarise below the transitional provisions included in the Sales Tax Bill:

- A supplier registered under the VAT Act and who meets the registration requirement under the Bill will be required to register for Sales Tax
- Accrued VAT credits will be refundable to taxpayers. However, prior to payment of the refunds the ZRA may offset any refundable amounts against any outstanding tax liabilities that the taxpayer may have.
- Records required to be kept under the VAT Act for a specified period shall continue to be kept as if prescribed by the Bill for the unexpired residue of the period.
- The ZRA can still conduct VAT audits and assessments following the repeal of the VAT Act for periods in which the VAT Act was applicable.
- The VAT Act is repealed.

Our comment

The Bill does not set out a time limit within which the ZRA must complete VAT audits and pay refunds.

We also note that it is not clear what will happen with taxpayers who may receive input tax invoices beyond the month in which VAT is repealed. Currently, taxpayers have a period of three months within which to claim their VAT invoices. This is necessary for various reasons, including common delays in receiving invoices.

We also note that a number of challenges that may arise with businesses are not provided for in the transitional rules. These include instances where the following transactions have to be accounted for after the submission of the final return:

- Treatment of refunds for items bought under the VAT Act and returned under the proposed Act
- Treatment of lay-bye agreements where the time of supply is the date the final payment is made and the final instalment is made after the repeal of the VAT Act.
- Treatment of bad debts for amounts invoiced under the VAT Act on which VAT would have been paid at 16% and written under the proposed Act

Our proposal

A period within which VAT audits must be completed and refunds paid must be set out in the Act. An indefinitely open period will lead to refunds being unpaid for an inordinate period. This has been the case with many farmers who were moved to the exemption schedule and have never been refunded outstanding VAT amounts.

We also propose that a three-month period be allowed in the proposed Bill for submission of final returns or amendment of such returns to allow the claim of delayed invoices.

We also propose that the proposed regulations deal with transactions such as the ones itemised above where there could be a mismatch as follows:

- Refunds for items bought under the VAT Act and returned under the proposed Act must be made at the retail price plus the applicable Sales Tax rate. Corresponding deduction to the seller for the credit note must be at the Sales Tax rate.
- Lay-bye agreements where the time of supply is the date the final payment is made must be concluded at the Sales Tax rate.
- Treatment of bad debts for amounts invoiced under the VAT Act on which VAT would have been paid at 16% and written under the proposed Act
- Credit for bad debts written off must be made at the VAT rate as the retailer would have made payment at the VAT rate.

CONCLUSION

The Institute is of the view that Government needs to re-engage the major stakeholders as the Sales Tax Bill has a number of deficiencies in its current form and a competent person will find it difficult to advise on its implementation. This is because certain key information is missing in the Bill as earlier alluded to.

It is our considered view that the proposed measures have the unintended consequence of being not only drastic but highly punitive and bound to hurt the economy. While the motive to increase tax collection from the mining sector is welcome, we strongly recommend a gradual and phased approach to changes to the tax regime to enable the affected parties to prepare and plan. We think that what appear to be a harsh tax regime, based upon our analysis, will negatively affect the much-needed long-term investment, job creation and investor confidence in the country.

Mr. R. Ravi Sankar, ACMA, CGMA,CGMA Partner, PKF Zambia

Ravi has experience in financial reporting standards, auditing and management consultancy over his over 30 years work experience in accounting practice. Ravi was the Chairman for ZICA benevolent fund and former Vice Chairman for Public Sector Accounting Standards committee at ZICA.

CORPORATE GOVERNANCE
MAKING THE MARK ACROSS!

Corporate governance has always been a debatable topic. The concept of corporate governance endows multitudes of theories and viewpoints. Most of these theories turn into practices formulated by business and management researchers that have provided varying definitions for the term corporate governance. Attempting to provide a standard definition for corporate governance is attempting to outwit the very fact that corporate governance is not centered on any one single idea.

For the purpose of this article the definition of corporate governance provided by the Institute of Chartered Secretaries and Administrators (ICSA) has been adopted. It states: "Corporate Governance refers to the way in which companies are governed and to what purpose". It should be noted that this definition of corporate governance does not constitute the comprehensive and full description of what corporate governance really is and what companies and organizations would be lacking if they did not elect to adopt or implement corporate governance best practices.

Although good corporate governance practices stem from the internal affairs of companies or organizations they radiate a great deal of assurance to the external environment and contribute to providing a broad basis for business and commercial credibility. This in turn often positions the business well and contributes to its success. Hence, corporate governance, being one of the core factors of success in business, should be embraced by every business and all its internal stakeholders. Of course, corporate governance has two sides: the good and the bad!

Poor corporate governance practices are what have contributed to most of the modern business financial scandals and corporate failures. Good corporate governance practices on the other hand have often helped companies and organisations remain successful and be able to extensively inhibit potential business failures and manage a whole lot of risks with dignity. Corporate governance makes a mark on the performance and corporate success of companies when effective and feasible good corporate governance practices are adopted and are clearly understood by everyone in the company or the organisation.

In order to derive the most benefits from adopting good corporate governance practices that have been deemed feasible and beneficial to business success shareholders and directors of companies need to develop a set of codes centered on good corporate governance practices and lead in ensuring that these straddle all areas of the business. There are varying steps which can be applied to ensure that all internal stakeholders are in synch with the good corporate governance practices and the company adopts its suitable code of good corporate governance.

One of the very first steps is to "recognise that good governance is not just about compliance". The next most important step is for the board of directors to "endorse" the appropriate codes on corporate governance such as the King Code, which is entirely based on principles and "recognise the need to conduct the affairs of the company with integrity and in accordance with generally accepted corporate practices". The other steps that are so relevant to achieving the company's goals of ensuring good corporate governance practices are set out as follows:

1. Ensure the board's role is clear enough and all internal stakeholders are aware of its entire functions and processes
2. Ensure that organisational performance is monitored frequently
3. Ensure that the CEO and board relationship is well defined
4. Ensure that appropriate risk management strategies are implemented
5. Ensure that company directors are granted relevant and timely information for decision making
6. Build and maintain an effective governance infrastructure

Most importantly, companies and organisations should develop corporate governance scorecards. These are "tools for the assessment of corporate governance practices" and comparing "governance practices to a benchmark". Having corporate governance scorecards in place enables companies to assess the operations of their businesses in broad terms and readjust where necessary in order to maintain optimal performance in relation to board structures, corporate communication and control of resources.

Corporate communication as an element of good corporate governance is one of the most important factors of business success. A company that has ineffective or non-existence communication strategies often faces broad information gaps across its operations. To fix this issue companies need to adopt appropriate strategies of efficient communication, set clear goals, use online communication tools, realign its channels of communication and ensure management maintains the most workable communication structures in order to ensure transparency and accountability are achieved.

It can rightly be stated that corporate governance borders on corporate culture hence companies would have the latitude to decide which of the many corporate governance elements and principles to focus on in order to achieve corporate success. This is possible especially with the principles based corporate governance unlike the rules based. With the rules based corporate governance requirements, companies would be heftily regulated and failure to comply with the regulations would often result in penalties where company legislation operates.

Corporate culture is essentially the bedrock for corporate governance. It specifies an organization's beliefs and values which in turn denote the organization's most preferred management and operational strategies. With appropriate management and operational strategies blended with ethics and values a business is set for corporate success. Corporate governance should be applied to companies and organisations of any size. There exist diversities though in ways and means of applying corporate governance in various countries because of varying corporate cultures and corporate governance concepts and ideas.

Though corporate governance practices would be so diverse it should always be recognized that "effective corporate governance practices are essential to achieving and maintaining public trust and confidence" in the corporate world. Hence, every company - small, medium sized or publicly listed should be concerned about corporate governance and should implement corporate governance practices because all companies "compete in an environment where good governance is a business imperative".

Corporate governance concepts and principles are taken as theoretical by many and applying them to the real world may often be seen as impractical. Provided wealth generation and shareholder value protection is the core reason businesses exist it is obligatory for companies to put in place strategies and measures of ensuring the value of the company is maintained. This can only be fully achieved when governance and controllership are present. With appropriate governance in place a company would most certainly achieve success in various areas of the business.

It should be recognised that business or commercial success depends on a number of other factors as well such as quality of resources in operation, strategic focus, quality of services and products, appropriate financing and effective cash flow management. Applying corporate governance to the business will benefit the company and enable it to achieve strategic and specific goals in the aforementioned areas of the business.

Undoubtedly, applying the best known corporate governance elements such as independence, effective risk management, transparency and accountability should position the company well and create a competitive environment for success. Independence contributes to appropriate judgment by the directors who are the agents in the affairs of companies in the steward-agency relationship. Effective risk management enables companies to achieve objectives and in some cases to exceed them and thereby realise their target return on business. Transparency and accountability on the other hand promote effective communication and innovation while also enhancing company growth. Innovation underpins business growth.

For exponential growth to be achieved centered on innovation, corporate governance should be at the central point. Innovation should be inclusive at all levels of the business. Innovation should not only be "limited to human capacity". It should also straddle the "field of human knowledge and the inclusion of alternative knowledge systems". Businesses sometimes find it rather challenging to deploy and implement corporate governance principles and values and consequently governance practices. To help with such challenges companies should perceive corporate governance as being a "lot more than compliance" but as a "culture and a climate of consistency, responsibility, accountability, fairness, transparency and effectiveness".

It would be essential for companies and organizations to develop governance frameworks. This could be a great way to start implementing corporate governance practices. As the next essential step companies should develop an operating model. Developing an effective governance operating model has the potential to "enhance management's ability to implement governance and the board's ability to exercise proper oversight". The governance operating model should clearly be an effective foundation for deploying and implementing corporate governance principles and values.

Alongside corporate culture, the operating model would enable the "board and the executive leadership to organise the governance structure and the mechanisms by which governance is implemented". The governance operating model is the "mechanism used by the board and management to translate the elements of the governance framework and policies into practices, procedures, and job responsibilities within the corporate governance infrastructure". Certainly, the governance operating model would enable companies to get off on a high point with implementing corporate governance practices. Corporate governance practices should be deployed and implemented across all the sections of the business in order for the business to achieve high-end level success.

Deploying corporate governance practices across all the sections of the business not only provides the company with leverage and positions it on the track for success but it also enables the company to align its entire operational activities to its strategic goals. With good corporate governance in place it would be expected that all internal stakeholders would be in sync with all of the following attributes of successful companies and organizations:

1. Effective corporate culture
2. Effective planning and sufficient performance reviews
3. Efficient utilisation of all resources
4. Focus on core values and principles
5. Focus on core business and operational processes and procedures
6. Effective communication
7. Commitment to all stakeholders
8. Strategic partnerships and alliances

Without doubt, having all internal stakeholders work with corporate governance principles and values and in tandem would enable the organisation to achieve strategic and competitive advantages. Creating effective relationships with external stakeholders such as investors, suppliers, customers and the government places an organisation in the correct course for success. Having the right mix of talent at board level, executive management level, middle management level, low-level management and operatives level is one of the critical factors of success. Hence, organisations should ensure that talent acquisition is one of the prioritised undertakings. Employing appropriate models of business and process management is another critical factor for success.

Additionally, organisations need to ensure that appropriate knowledge management tools and methods are adopted. Deploying suitable risk management methods is another one of the many ways an organisation can ensure sustainability. Being able to keep up with the ever-changing business scene is certainly one of the many other ways of ensuring success. However, corporate governance remains the ultimate means of achieving corporate success. Certainly, without governance and leadership none of the strategic goals companies and organisations formulate would be achieved. Implementing good corporate governance practices would enable companies and organisations to create springboards for corporate success and growth.

Companies and organisations should endeavour to deploy and implement the attainable core corporate governance concepts and principles of honesty, fairness, transparency, openness, responsibility and accountability. These would certainly enable the company to achieve its goals and hence attain the desired levels of corporate growth. Strong corporate governance centered on good practices sustains external stakeholders' confidence and trust, which in turn contributes to the growth and sustainability of the company in the long run. However, for all these to be achievable the company has to ensure that good corporate governance practices are deployed and implemented across all the levels and all the areas of the business in its entirety. Certainly, corporate governance makes a mark across every business!

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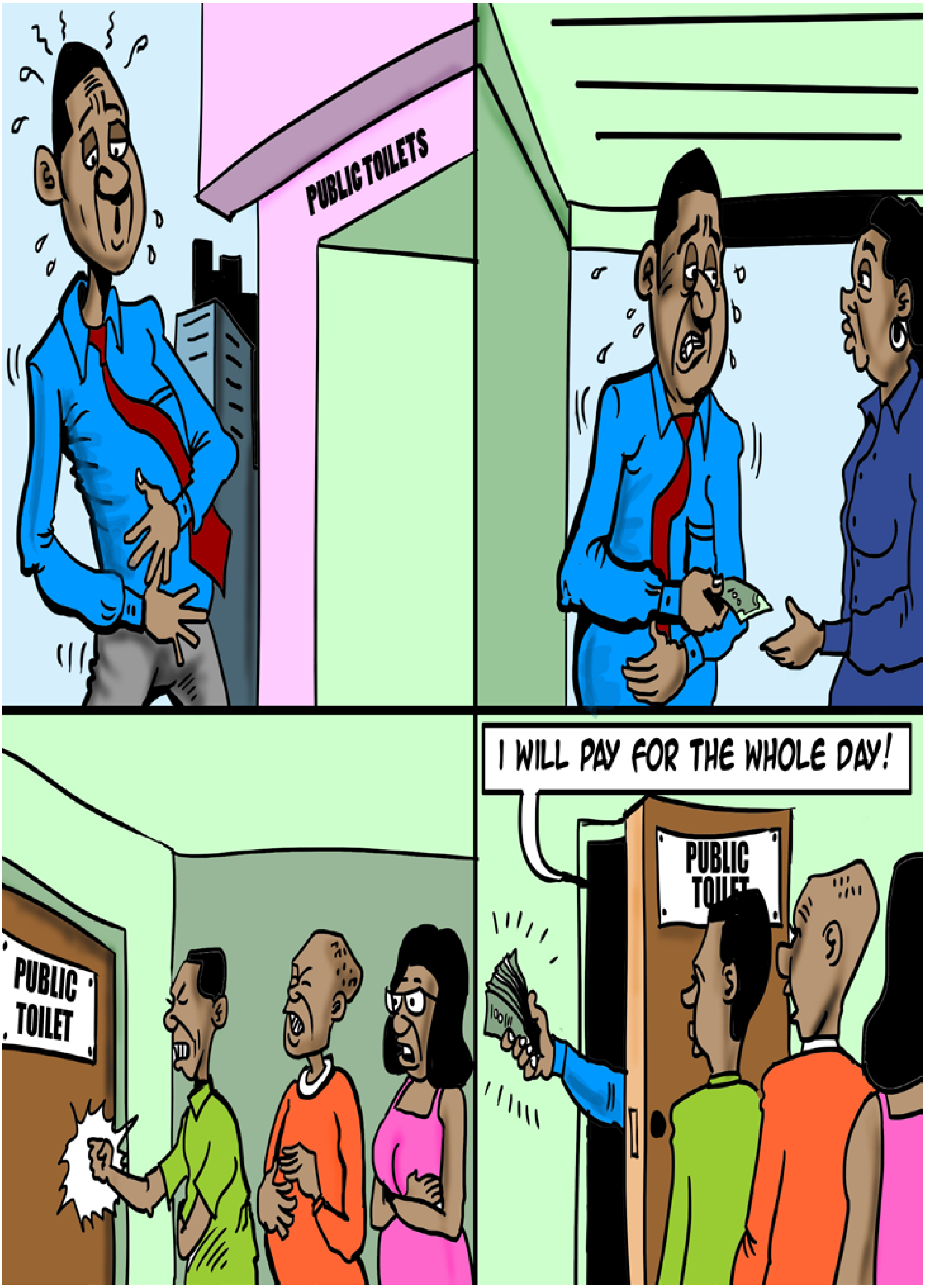
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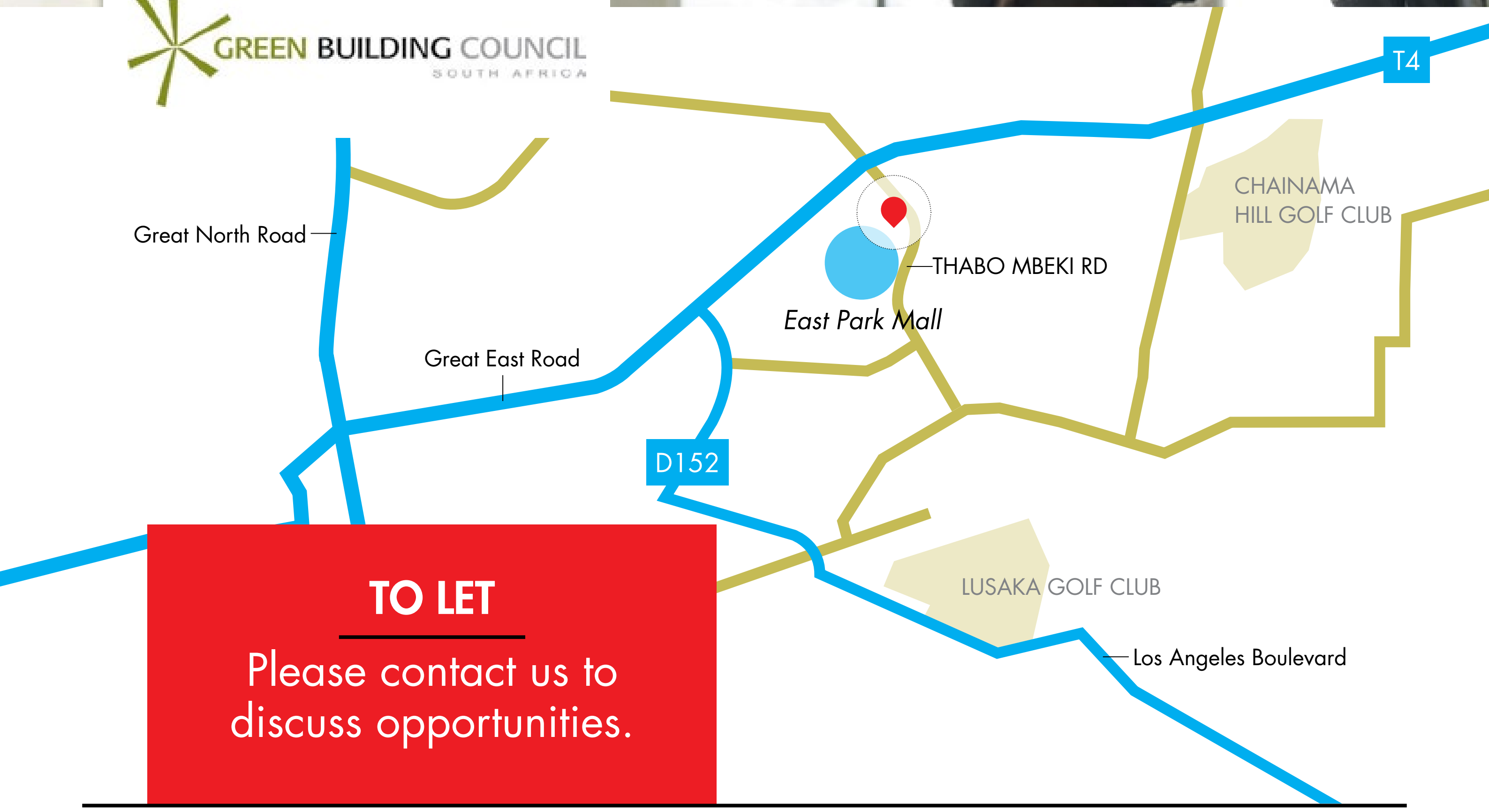

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