2022 MEDIA BRIEFING ON VARIOUS NATIONAL MATTERS ISSUED IN PUBLIC INTEREST BY THE ZICA PRESIDENT, MRS. CECILIA ZIMBA IN THE ZICA CONFERENCE HALL ON 13th DECEMBER 2022.

Good Morning

Ladies and Gentlemen,

Welcome to the ZICA media briefing for the last quarter of 2022 on matters that affect the accountancy profession and the nation at large. In line with the Accountants Act No. 13 of 2008, apart from our mandate of regulating the education and practice of the accountancy profession in Zambia, we have a statutory mandate to advise the Government of Zambia on matters relating to the economic development of the Country. In this regard the media briefing will reflect on developments related to the following key matters:

1. Issuance of the Statutory Instrument (SI) for the Commencement Order for the State Audit Commission Act No. 27 of 2016.
2. Comments on the 2023 National Budget
3. International Monetary Fund (IMF) Extended Credit Facility of US$1.3 Billion
4. Government Grants to Schools
5. NAPSA Bill No. 21 of 2022
6. ZICA Comments on the Securities (Amendment) Bill No.23 of 2022
7. Training of Professional Accountants
8. Regulation of the Accountancy Profession
9. Conclusion

1. ISSUANCE OF THE STATUTORY INSTRUMENT (SI) FOR THE COMMENCEMENT ORDER FOR THE STATE AUDIT COMMISSION ACT NO. 27 OF 2016.

The State Audit Commission which was established in 2016 has not been operationalised. The Institute welcomed the establishment of the State Audit Commission, as it would provide the oversight and regulatory role on the office of the Auditor General. Currently, the office of the Auditor General is not answerable to any independent body on any matter of ethical conduct and matters arising on disputed audit findings.

We wish to implore the Minister of Finance and National Planning to issue the Statutory Instrument for the commencement order for the State Audit Commission Act No. 27 of 2016. As ZICA, we are looking forward to the operationalisation of the State Audit Commission to provide oversight on the Office of the Auditor General and to enhance ethical conduct and matters arising on disputed audit findings.

Some of the functions of the State Audit Commission include:

1. to maintain the integrity, objectivity and autonomy of the Office of the Auditor General
2. oversee the undertaking of the functions by the National Audit Office;
3. appoint auditors and other staff as are necessary to assist the Auditor-General in the performance of the Auditor General's functions under the Constitution, the Public Audit Act, 2016, and any other written law;
4. exercise disciplinary powers in relation to auditors and other staff of the National Audit Office;
5. promote auditors and other staff of the National Audit Office;

6. receive and investigate complaints from any person relating to the performance of functions by the National Audit Office;

The establishment of an oversight authority will foster the effective verification of how public resources are utilised and how public officials working within the Government administrations follow the rules and regulations.

2. COMMENTS ON THE 2023 BUDGET

I would first and foremost like to once again congratulate the Minister of Finance and National Planning Hon. Dr Situmbeko Musokotwane on a well-balanced National budget taking into account the challenges we are facing as a Country and taking stakeholder engagements on board in coming up with economic policies. The Institute was proud to have sponsored the airing of the National Budget Presentation on ZNBC TV to allow members of the public had an opportunity to follow the pronouncements in real time.

A. COMMENTARY ON SELECTED SPECIFIC ECONOMIC SECTOR PROPOSALS

Agriculture, Fisheries and Livestock

Ladies and gentlemen, the Government will continue with the Farmer Input Support Programme (FISP) in the 2022/ 2023 farming season under the new expanded programme, which will be called Comprehensive Agriculture Support Programme (CSP). Government hopes that the (FISP) programme will also ensure better targeting and equity in the provision of subsidies and services.

We support this plan and urge the Government to consult stakeholders during design stage of the CSP. We expect CSP to influence private sector investment decisions so that it is not just a food security program (about Maize) but also a wealth creation program to grow the middle class by including crop diversification initiatives and cash crops

Manufacturing and Industrialisation

Ladies and gentlemen in order to attract investment and help to enhance value addition, the Minister in the 2023 budget proposed the Introduction of income tax concessions for 15 years on income generated from local sale of corn starch by agro processing businesses operating in Multi facility Economic Zones, industrial parks and rural areas.

The Institute recognises and commends the Government for these proposals. We are looking forward to a spurred interest in MFEZ zones and eventual investments to help the much needed job creation for the youth. However, we note that tax is only one consideration in investment decisions. Other factors such as tax administration, infrastructure, employment law and ease of doing business also play a significant role. We propose that an investment summit be convened with a cross section of stake holders to discuss making Zambia a more attractive investment destination both regionally and internationally. This is the best practice world over e.g. South Africa, Kenya, Egypt Singapore, Malaysia e.t.c. Where policies work, the government adequately consult with the private sector.

Tourism

We support the measures and the Minister's stated objective to diversify tourism away from Livingstone to a cross-section of other destinations.

The proposed reforms must also include an overhaul of the tourism and hotel grading system that has effectively collapsed over the years and has negatively impacted tourism into other parts of the country. We note that global travel operators largely recommend and book travel based on grading. We also note that waiving visa fees alone will not dramatically reduce a tourist's costs. A benchmarking exercise of the costs of a tourist comparing with regional competitors like South Africa, Namibia and Kenya will help us to be more competitive because hunting license fees, accommodation and tour costs are huge cost drivers that influence decision making.

Mining

Ladies and gentlemen, the Minister of Finance and National Planning announced plans to boost copper production to over 3 million metric tons in a decade. Measures proposed include downward revision of Property Transfer Tax ("PTT") to 7.5% from 10% for the mining rights and mineral processing and to promote the growth of small-scale mining.

The Institute commends these measures and further it is important for the Government to adopt a long term and consistent mining policy and resolve the legal cases with KCM. This will bring confidence back in the sector after we balance rectifying concerns from investors and the tax payers too. Consideration should be given to bring in local share participation by locals and revisiting viability of state run mines versus investments through ZCCM-IH. We support the Ministers proposals as the measures will help to ensure increased production and reclaim our position as the continent's top copper producer.

Energy

In order to ensure an effective energy sector, reforms will be undertaken in the electricity and petroleum sub – sector. Government is restructuring Indeni Oil Refinery which is no longer economical and cannot compete with modern refineries. Instead of processing crude oil, the company will be blending locally produced biodiesel and ethanol with imported finished petroleum products. It is envisaged that Indeni will also manage fuel depots and mark petroleum products to guarantee product integrity and prevent tax fraud.

Further, Government continued implementing the Rural Electrification master plan which targets to electrify 1,217 rural growth centres by 2030 with 525 beneficiaries electrified representing 43.1 percent.

Ladies and gentlemen, we support the Ministers proposals as stable and sustainable energy sector is critical for fostering growth in the economy. In the petroleum sub sector, we are happy with the Government pronouncement to restructure the fuel supply chain and achieve least cost pricing while ensuring stable supply of petroleum products. We expect pricing of petroleum products to be a significant challenge that the Minister needs to address in detail.

Transport Sector

Members of the press, priority will be placed on maintenance, rehabilitation and upgrading of feeder roads. To overcome the limitations imposed by scarce financial resources, roads with good traffic volumes will be worked on using the Public Private Partnership. Some of the roads whose works are likely to start once negotiations are concluded includes; Lusaka-Ndola dual carriageway, Chingola-

Solwezi, Ndola-Mufulira, Chingola-Kasumbalesa and the Lumwana- Kambimba roads.

We support the Ministers proposal as the transport sector plays an important role in economic growth. It facilitates commerce and trade in goods and services as well as the movement of people. We also urge continued investment in the railway network and enforcement of the existing on road-rail freight management. The current volume of freight on the national roads is unsustainable and significantly shortens the lifespan of the road network. Focus must also be placed on rehabilitating the rail network to improve average speeds. The current state of the network leads to significant delays and may disincentivise the use of the rail network.

Social Protection Programmes

Ladies and gentlemen in 2023, the number of beneficiaries on social protection services will increase to 1,374,500 from 880,539 as at 30th September 2022. We support the Minister's proposals as they will enhance the social protection of the most vulnerable in our society. We also support the quick resolution of pension arrears as they have contributed to increase household vulnerability as beginning 2023 the Government is going to be current with Public Service Pensions Fund, we applaud the Minister's stated intention. We look forward to logical conclusion of this matter to avoid destitution of men and women who served the country with diligence. I think they need better treatment.

Education and Skills Development

Education is the key to a nation's prosperity and to reduce the backlog of unemployed teachers and improve the quality of education by reducing the Pupil – Teacher ratio, the Government recruited and deployed over 30,496 teachers to various schools across the country, to improve the teacher pupil ratios, as well as education outcomes. To improve the quality of education through the provision of teaching and learning materials, grants to primary schools will continue. To further increase access to education, Government will continued to pay boarding fees and provide education grants for the disadvantaged adolescent girls to encourage the girl child to remain in school. In, addition, Government will continue to implement the Keeping Girls in School Project with approximately 59,000 girls currently benefiting from the project.

Government also intends to expand the support of free education by abolishing tuition and examination fees in public schools from early childhood to secondary schools.

This is indeed a welcome move that needs to be commended, as this will lead to significantly improved education outcomes in the long term. Education is key to income mobility and the proposals will help reduce income inequality in the long term. Equitable treatment of learners before an education system is commended.

Health

Ladies and gentlemen, in 2022 the Government recruited and deployed 11,200 Health personnel to strengthen the health care system. Government has increased the allocations for the purchase of drugs and medical supplies and an allocation of K4.6 billion has been budgeted.

The Institute commends Government for these proposals as the health sector is critical to the wellbeing of the nation and economic growth. We also urge Government to accelerate the rollout of technology solutions to manage the medicine supply chain as the disconnect between the supply of drugs and their availability to patients in health centres remains a big challenge.

B. INCREASE IN CONSTITUENCY - DEVELOPMENT FUND (CDF) ALLOCATION

The CDF has been increased from **K25.7 million to K28.3 million** per constituency. The resources allocated to CDF will include funds for development interventions for under-served communities, secondary schools, and skills development bursaries to be administered at Constituency level. The Government has so far released about **75% (K19. 3million) as at 8th November 2022** of the total allocated amount per constituency. However, utilization of these funds by Constituencies has been unsatisfactorily low, less than 10 percent of the released amount had been utilized as at 8thNovember 2022. The under utilisation has been caused by administrative challenges such as highly centralized approval processes required under the law (***Constituency Development Fund Act***), cumbersome procurement procedures and limited capacity in project proposal preparations, among others.

In order to address these challenges, the Institute urges Government to expedite the amendment of the Constituency Development Fund Act No. 11 of 2018 to streamline the approval processes and give more decision making powers to the local communities. We have observed that while funds allocation has been decentralized, Government has not decentralize decision making processes. Further, all the guidelines relating to the management of the CDF funds will need to be simplified while capacity building in proposal writing and awareness in communities will also need to be undertaken.

We commend the Government for their decision not to recall any unutilised funds under CDF by the end of the year since all Constituencies will continue with project selection, procurement and implementation in line with the CDF guideline. We call on the Government to promote transparency, accountability and continued strengthening of internal controls in the utilisation of CDF funds as constituencies will now have a lot of funds to manage starting next year which is a big risk.

C. COMMENTS ON THE TAX MEASURES

Ladies and gentlemen, the Institute commends the Government for implementing various tax measures that will help revamp the economy and help put more money in people's pockets. As ZICA we are very happy that the Government took stakeholders engagements and submissions on tax matters into consideration and in particular ZICA's proposals on tax and non-tax measures were considered positively. Some of the proposals made by ZICA which were considered include the following;

i. Proposal to restructure the Mineral Royalty to Tax regime
ii. Changes to the Property Transfer Tax realised value
iii. Proposal to exempt Investment Income on Life Insurance Funds
iv. Proposal to abolish the 20 percent withholding tax on reinsurance, including retrocession, placed with reinsurers not licensed in Zambia
v. Proposal to remove double taxation on shares

Additionally, we would like to commend the Zambia Revenue Authority (ZRA) for the effort made in taking into consideration submissions made by ZICA on the Country by Country Reporting Practice guidance. The Practice Note has helped provide general guidance to the Members on various tax laws.

3. INTERNATIONAL MONETORY FUND (IMF) EXTENDED CREDIT FACILITY OF US$1.3 BILLION

I wish to congratulate the Government on the International Monetary Fund's approval of the 38-month Extended Credit Facility of US$1.3 billion. This 3-year program is “home-grown” and it is expected that the $1.3 billion will be used for budget support as well as increasing the stock of international reserves.

With the IMF supporting Zambia, creditors are more assured that they will get their money back and therefore willing to write-off some debt or reschedule the debt for payment over a longer period of time. Zambia therefore gains in terms of reduced stock of debt due to write-off and reduced present-value of debt due to rescheduling.

The IMF deal is also going to catalyse financial support from development partners. IMF is a leader, when they lend to country, confidence in that country grows. If IMF can trust Zambia with their money, then World Bank and other partners can also do the same. In fact, even businesses from other countries will want to invest their money in Zambia because they believe in our plan.

4. GOVERNMENT GRANTS TO SCHOOLS

Let me indicate that the Government released K442.2 million to all schools, which marked the final grant allocation under the free education programme to provide for operational support to public schools aimed at facilitating the implementation of free education.

With the new policy, leaners from grade 1 to 12 in day schools no longer have to pay school fees and those in boarding schools can access sponsorship under the Constituency Development Fund (CDF). The Institute is of the view that this development is definitely a step in the right direction notwithstanding other serious economic challenges the country faces, we are confident that with time especially after debt restructuring and once the economy starts recovering, the Government can extend free education to boarding schools and expand tertiary education scholarships. As ZICA, we support this policy direction by the Government owing to the fact that not everyone was managing to pay school fees especially in the rural areas.

Further, we urge the Government to ensure that they recruit qualified Accountants registered with ZICA in all the schools including primary schools to ensure proper accountability of the funds.

Furthermore, we implore the Government to hasten the full implementation of accrual basis International Public Sector Accounting Standards (IPSAS) in Zambia to foster increased transparency and provide a better understanding of Government's financial performance, greater accountability to make informed decisions about resource utilization, and improved financial information to support governance, management of assets and decision-making. This will eventually result in reduction of recurring audit queries in the Auditor General's report.

5. NAPSA BILL NO. 21 OF 2022

The Institute welcomes the amendment of the NAPSA Act as it has been long overdue to the general outcry from the Members. However, I wish to make comments on the following provisions which are in the Bill;

a) ***Section 15(A)(2) Proposal to reduce the penalty from 20% to 10%***

Comment

As much as this is a welcome move, the proposed still too high. Whatever, the amendment is trying to cure may not be cured by reducing the penalty rate from 20 percent to 10 percent, without understanding the problems that have been causing employers to remit NAPSA contributions late.

Without much information, we would assume that the majority cases of late submission were due to financial problems as most of the businesses were not doing fine in the past years. The Institute further suggests that the rate be further reduced to 5% or less and the qualifying period for the penalty should only apply after 30 days of the contributions remaining unpaid.

b) ***Section 39(2) proposes that "A person who receives a payment under subsection (1) shall not be entitled to a further payment of a benefit under the existing fund".***

Comment

This provision is currently not clear as it implies that once a person draws down the lump sum pension, they are not entitled to any other further benefit, whether another partial drawdown or pension benefit at retirement, unless clarified elsewhere in the Act or statutory instrument (SI).

The bill is silent and not clear as to whether a person who has made a drawdown will continue to make a contributions to the fund after thereby entitling them or expecting a further benefit in future either by way of another lump drawdown before retirement or a pension benefit after retirement. This GREY AREA NEEDS CLARIFICATION before enactment into law.

The bill is again silent as to how much or proportion of the contributions can a member apply to drawdown and whether or not there are any restrictions or not and what the restrictions would be.

Information in the Public domain suggest that NAPSA is proposing a 20% payment on the total amount contributed. If these unconfirmed reports are true we feel 20% is too little for investment. We suggest NAPSA considers a much higher percentage.

6. COMMENTS ON THE SECURITIES (AMENDMENT) BILL NO.23 OF 2022

The Institute does not support the amendment. We recommended when we appeared at Parliament that the Securities (Amendment) Bill No.23 of 2022 be withdrawn so as to allow for wider consultation among capital market operators in the industry and other stakeholders. However, I wish to make comments on some of the provisions which are in the Bill;

I. Section 10(46A) (1) Appointment of auditor by licensed person Act No. 13 of 2008

Despite the Accountants Act, 2008, a licensed person shall appoint an auditor who is a member of the Zambia Institute of Chartered Accountants, and the auditor shall not provide auditing services to the licensed person unless the auditor meets the minimum criteria specified by the Commission.

Recommendations

We do not welcome this provision as it is a source of confusion. There is only one institution that is a regulator of auditors in Zambia, which is the Zambia Institute of Chartered Accountants (ZICA). The Accountant's Act, 2008 gives ZICA the power to establish the minimum requirements for someone to qualify as an auditor, and once someone has met the ZICA criteria to be an auditor, they are free to audit any institution in Zambia. If the Securities and Exchange Commission has proposals as to additional minimum requirements for an auditor, those proposals should be submitted to ZICA for consideration accordingly. It is not in the place of SEC to try and regulate auditors in the country. We therefore recommend that this provision be dropped.

II. Section 10 (46B) (1) Duty of auditor to report licensed person

Despite the Accountants Act, 2008, an auditor shall provide a report to the Commission, on a licensed person's failure to provide audited results in a prescribed manner and form within four months of the end of a financial year, stating the reasons for the delay.

Recommendations

This provision may be misleading. It is not the duty of an auditor to investigate reasons why a client has delayed to prepare a set of financial statements. The best people who would know the reasons why there is a delay in the preparation of financial statements are the people who are responsible for preparation of financial statements, who in this case are the capital market operators themselves. Therefore, we recommend that this provision be amended to read*; "The Management of a capital markets operator shall provide a report to the Commission, on its failure to* *provide audited results in a prescribed manner and form within four months of the end of a financial year, stating the reasons for the delay".*

III. Section 10(46B) (2)

A licensed person who fails to provide audited results or an auditor who fails to report a delay by a licensed person in submitting audited results, after due investigation by the Commission, commits an offence and is liable, on conviction, to a penalty not exceeding one hundred thousand penalty units and to a further penalty of ten thousand penalty units for each day that the offence continues.

Recommendations

We do not agree with this provision. The auditor should be absorbed of the responsibility to report to the Commission on the delay by a capital markets operator to submit financial statements to the Commission. The issue of submission of financial statements is one between the capital markets operator and the Commission and has nothing to do with the auditor. If a capital markets operator has not submitted financial statements to the Commission, the Commission is capable of making that observation on its own without having to be informed by an auditor. Therefore, we recommend that this provision be amended to read; "*The Directors of a capital markets operator shall provide a report to the Commission, on its failure to provide audited results in a prescribed manner and form within four months of the end of a financial year, stating the reasons for the delay".*

IV. Section 6(19B) (4)(e)

The Commission may, where the Commission takes possession of a capital markets operator or appoints a manager to run the affairs of a capital markets operator in accordance with subsection 2(a) and (b), take any of the following actions:

- transfer all or part of the business of the capital markets operator to another capital markets operator;

Recommendations

This provision in the Securities (Amendment) Bill of 2022 which gives power to the Commission to “transfer all or part of the business of the capital markets operator to another capital markets operator” should be removed because it is unnecessary. If it is determined that a particular capital markets operator must not be allowed to continue operating, then established winding up procedures as per Corporate Insolvency Act No.9 of 2017 should be applicable. It is not in the place of the Commission to transfer the assets of one capital market operator to another without compensation, as the case was in the past when the Commission transferred pension assets valued at more than US$50 million from one capital market operator to another.

V. Section 6(19B) (4)(f)

Dispose of some or all of the assets of the capital markets operator;

Recommendations

We do not welcome this provision to “dispose of some or all of the assets of the capital markets operator” as it is likely to be abused by some officers of the Commission. The forced disposal of assets of a corporate entity should only be done in accordance with the provisions of the Corporate Insolvency Act No. 9 of 2017.

We therefore propose that this provision of the Securities (Amendment) Bill of 2022 be removed.

VI. Section 6(19B) (4)(g)

Sell the capital markets operator as a going concern;

Recommendations

We do not welcome this provision to "sell the capital markets operator as a going concern" incase the officers of the Commission do not act objectively. . If the Commission determines that the shareholders of a particular capital markets operator are not fit, then it should only have powers to direct that the shareholders be changed. Once the capital market operator changes its shareholding, the only other job of the Commission should be to determine whether the new shareholders are fit and in good standing.
If in the case where a shareholder is also a Director, then the Commission can direct that such a person be removed from being a Director while leaving them as a Shareholder. We therefore recommend that provision 6(19B.) (4)(g) be amended to; *"direct the full or partial change in the shareholders of the capital markets operator"*.

7. TRAINING OF ACCOUNTANTS

i. The Institute held its 16th Graduation ceremony on 31st August 2022 and channeled out 948 graduates. ZICA continues to work with approved Tuition Providers in the development of work-ready Accountants, Taxation specialists, Public Sector Financial Management specialists, Business and finance leaders. We would like to implore the public to employ these graduates in finance roles as they are trained to uphold public interest by being gatekeepers of public and private assets. In addition, organisations should ensure that only those candidates with a valid ZICA membership status are engaged. With the foregoing, adverts for the employment of Accountants must correctly denote the relevant qualifications and ZICA membership starting with the ZICA's flagship qualifications under the CA Zambia programme.

ii. ZICA is urging universities and colleges to partner with the Government to train Accountants in the Public Sector Financial Management (PSFM) programme. The programme is specifically designed to meet the professional requirements of Accountants in the public sector. We are equally encouraging all the Accountants in the Local Authorities who are managing the Constituency Development Funds (CDF) to undertake this very important qualification. The Institute has lobbied government through the Accountant Generals Office to provide sponsorship to qualified and registered accountants in the public service who are in good standing with the Institute as per the provisions of the Accountants Act No. 13 of 2008 to undertake the PSFM programme. I therefore want to appeal to all Accountants in Government to take up this opportunity to be trained in the PSFM programme.

iii. I would like to reiterate that post-graduation, Accountants are required to engage in 3 years of practical training to ensure that knowledge-skills gap is bridged. Apart from mentoring Accountants on practical training in the public sector through the Accountant General's office, the Government has further shown commitment in this area by recently signing a practical training Memorandum of Understanding with ZICA through the Office of the Auditor General. We urge all quasi government institutions and corporate entities who have not yet signed up for this initiative to do so as soon as possible as this will promote integrity and enhance the status of the accountancy profession in the Republic.

iv. Continuous Professional Development (CPD)

Further, ZICA provides Continuous Professional Development (CPD) programmes to its members. This is the continuous maintenance, development and enhancement of the professional and personal knowledge and skills, which members require throughout their working lives. It is important that members remain competent and develop new skills to remain effective in their roles and careers. It is in this regard that the Institute continues to upskill its members through offering various CPD activities to members, among them Technical Update Workshops, Accountants Fora, Annual Business Conference and Pre-AGM Workshop.

8. REGULATION OF THE ACCOUNTANCY PROFESSION

We note that some individuals who do not have practicing licenses are holding out by providing accounting services to the public. We would like to urge those who are involved to come forward and regularise their membership with ZICA. The Institute will be working with the National Prosecution Authority (NPA) to ensure that all those who are holding out are prosecuted.

9. CONCLUSION

We wish to commend Government for giving professional Institutions like 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. I wish to thank you members of the press for your service to society of providing information related to developments happening at the Institute and the nation at large. I wish to thank all members and students of ZICA for the support you have continued to render to your Institute. We have achieved many things together in the past three years of the COVID pandemic and with your loyalty, we managed to steer on our profession to even greater performance under very difficult circumstances. As a profession, we are only as strong as we are united. Thank you once again for your profound support before, now and into the years to come. I am now happy to clarify any aspect of our statement, otherwise we look forward to seeing you at our next media briefing.

Cecilia Zimba
PRESIDENT
ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS