THE CHARTERED Accountant

NOVEMBER 2015 EDITION

Published by The Institute of Chartered Accountants of Zimbabwe. Not for sale.

ECONOMIC VIEWPOINT:
TOP ANALYST SPEAKS OUT

WINTER SCHOOL IN THE DESERT:
EXPANDING HORIZONS, ELEVATING MINDS - UNLOCKING ZIMBABWE'S INVESTMENT & TOURISM POTENTIAL

NEW AUDITOR'S REPORT

PLUS

FROZEN ASSETS
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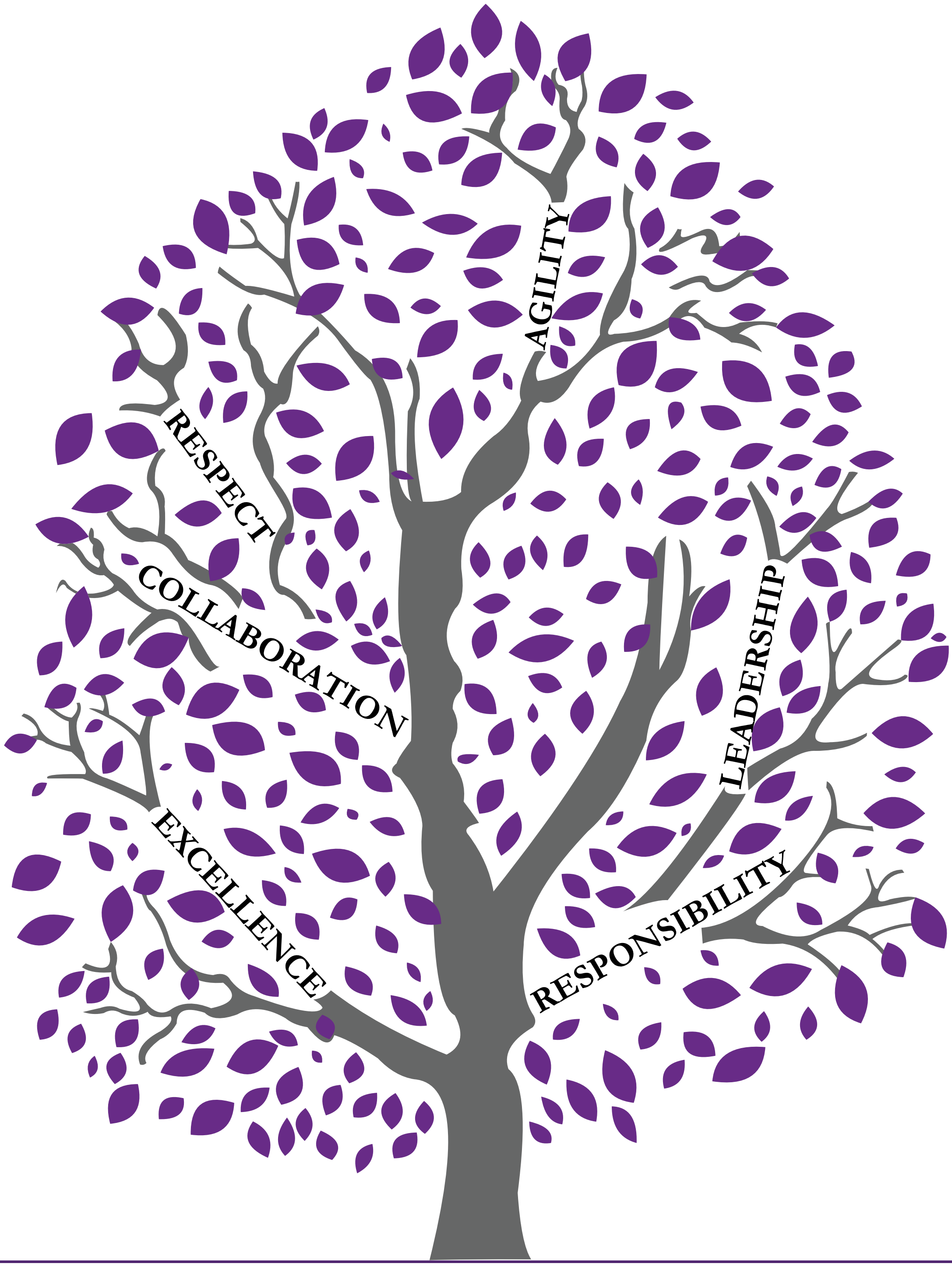

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Non verifiable CPD Hours = 3 Hours

Published by:
The Financial Gazette
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Printed by: PRINTWORKS

This is our MOMENT !

It is with great honour and privilege that I take up the leadership of the Institute for the upcoming presidential year. To fellow members, I say this is our moment, this is our time!

I would like to pay tribute to Bothwell Nyajeka who has led us so well in the past year. I also want to pay special commendation and to express my innermost gratitude to ICAZ Councillors, our Chief Executive Officer, Matts Kunaka and his staff, the Secretariat, for their continued hard work and relevant contribution towards the development and advancement of the profession.

Your collective efforts have made ICAZ what it is today. I am proud to acknowledge that we have a solid foundation, which was built over the last 100 years. As a profession that prides itself in its integrity, honesty, responsibility, objectivity and credibility, I want to encourage everyone to continue participating in the activities of ICAZ and leading in this spirit in our places of work. Together, we can make our country a place of opportunity and promise, not only in our time but for generations to come. If our founding members knew where we would be today, I am sure they would be extremely proud of the legacy that they left behind. It is my hope and prayer that what we do today will stand in the annals of history. It is our Institute, it is our country, it is our duty to ensure that the profession remains strong and continues to be relevant to Zimbabwe and the world at large for the next 100 years to come.

It is pleasing to note that our brand CA(Z) remains credible, reputable and internationally recognised. I have been involved in the affairs of the Institute for about 15 years. During these years, I have come to know men and women who are impeccable in their public service to this Institute and to the country at large.
Men and women who pour countless hours into service for no reward, other than that of knowing that an excellent job has been done. To all such members I say well done, keep up the good work! This I believe to be the hallmark of why our profession is great and stands to be greater. It is great because we believe we can make a difference. And indeed, we can and we will. As we continue on this journey, I urge you all to join hands to help us to chart a course that is inspiring and exciting. A course that is grand and well worth spending our lives on. Let us be proud to be Chartered Accountants and carry the flag high wherever we may go.

Winter School

The 2015 Winter School was held in Dubai, the second largest emirate of the United Arab Emirates (UAE) from August 7 to 9. The flagship event was a huge success with nearly 400 delegates from 18 countries in attendance. This was the first ICAZ Winter School to be held outside of Zimbabwe since the formation of the Institute in 1918.

I would like to say well done to the UAE Chapter, the organisers of the event, for a job well done. I think it took a lot of insight for the UAE Chapter, led by Bernard Tapera, to take us there so that we see what others are doing and of course, to inspire us. We were inspired! It was quite enlightening to see the vision displayed by the founder fathers of the UAE and what they managed to achieve in a short space of time.

A few years ago, where there was nothing, there now stands what is now known as Dubai, an oasis for tourism, a financial services centre and home to capital investment. It's quite clear that Dubai is a product of creativity, turning adversity into opportunity. Our adversity is nothing compared to the opportunities that lie ahead of us.

Membership

Our Institute is a membership-based body that relies, to a large extent, on subscriptions. I therefore appeal to members to pay your subscriptions. It is the life blood that makes the institution tick.

Engaging government and regulators

We will continue engaging with government at all levels to influence the revival of our struggling economy and to provide ideas and suggestions. Already, ICAZ members are in discussions with various Ministries on how we can engage for mutual benefit. We are also looking at developing training models for Accountants in the Public Sector to assist in complementing and uplifting the quality of financial skills available to the Public Sector, for the national good.

Education

Currently we are in the process of re-looking at new pathways for the chartered accountancy qualification. The world is developing at a fast pace and we need to continually reinvent the CA product to ensure it remains top notch and well sought after. A Committee chaired by the Senior Vice President, Gloria Zvaravanhu, is already in place and is looking at various proposals.

Mutual Recognition Agreements (MRAs)

We would like to increase the number of MRAs and as such, we are in discussions with Australia and New Zealand, the United States of America and India. We hope to finalise agreements during the course of the year.

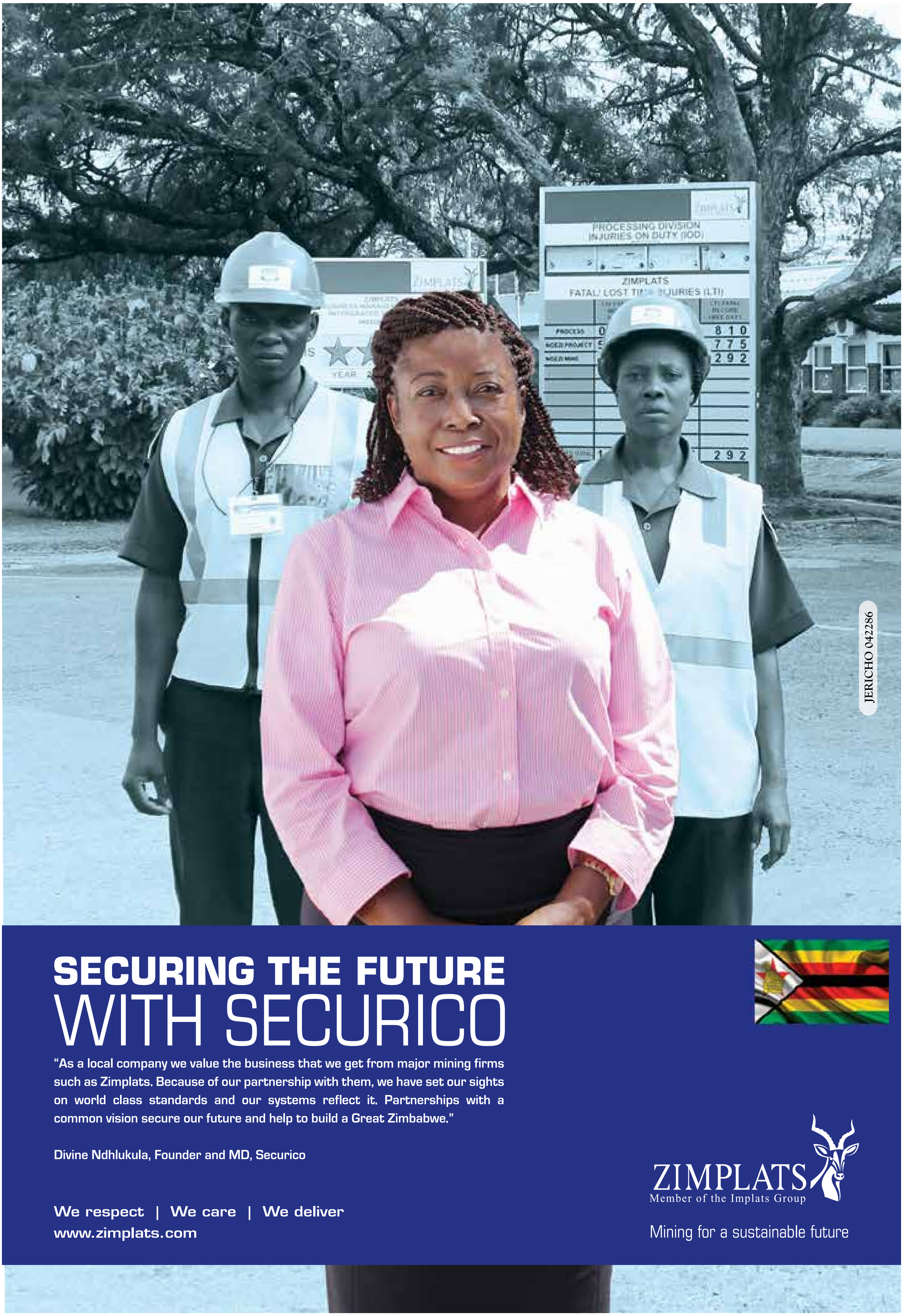
ICAZ Golf Day

The inaugural ICAZ Networking Golf Day was held at Chapman Golf Club, on September 11, 2015, and I am pleased to say it was a resounding success with 22 teams participating. This was a memorable assembly of golf experts from the profession and executives from industry and commerce who were not necessarily members of the profession. The event was not about fund-raising but a good networking opportunity and it was about reliving old memories and exchanging ideas. It was important to get our members together, have fun together and energising ourselves for the challenges that we face on a day-to-day basis. We value your participation.

Congratulations to the winning team — comprising of the South African Ambassador to Zimbabwe, His Excellency Vusi Mavhimbela, Sabina Chitehwe, Goodwill Nyakudya and Steven Terera.

The future looks bright. Let's seize the opportunities that lie ahead of us. Carpe Diem!

Roy Chimanikire
ICAZ President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Winter School in the Desert

Phillimon Mhlanga

THE Institute of Chartered Accountants of Zimbabwe (ICAZ), the pre-eminent professional body for accountants, successfully held its 2015 Winter School in August at the Grand Hyatt Dubai Towers.

Nearly 400 chartered accountants and investors from 18 countries around the world, including United States of America, United Kingdom, Canada, Cayman Islands, Australia, United Arab Emirates, Zimbabwe, Zambia, Burundi, Bermuda and Nigeria, attended the flagship event from August 7 to 9 under the theme: "*Expanding horizons, elevating minds-unlocking Zimbabwe's investment and tourism potential*".

This Winter School, organised through ICAZ's United Arab Emirates members led by Bernard Tapera, was the first to be held outside the country since the formation of the Institute in 1918. ICAZ used the Winter School to drum up support for Zimbabwe as an excellent tourist destination and a good home for foreign direct investment (FDI).

The leadership of ICAZ considered Dubai because it was strategically placed for the Institute's members coming from different parts of the world. Dubai, a natural tourist destination, is easily reachable from any part of the world with single flights. Most importantly, the success story of the UAE and Dubai in particular over such a short period of time is well documented. This was therefore an excellent opportunity for ICAZ members to see and learn from the amazing Dubai miracle.

Outgoing president, Bothwell Nyajeka, who is TA Holdings' chief financial officer, set the tone for the event on August 7, saying that the Winter School was an opportunity to market Zimbabwe, to be inspired, to attract tourists and bring FDI into the country.

Soon after Njajeka's welcome remarks, the Institute held its annual general meeting, in which Council elected a new presidium. These were however only confirmed during a gala dinner held on August 9. In his valedictory address at the gala dinner, Njajeka emphasised the need to make sure that the Chartered Accountant profession in Zimbabwe remains strong and continues to be relevant for the next 100 years.

"We must make sure that the Institute remains relevant to its members and to the world at large," said Nyajeka.

He added: "A number of initiatives have been embarked on including engagement with government to help the resuscitation of the economy. I urge members to participate in the activities of the Institute."

Roy Chimanikire, Econet Wireless Zimbabwe's group chief financial officer, was elected to lead ICAZ for the next 12 months, taking over from Nyajeka, who stepped down at the end of his one year term.

In his acceptance speech, Chimanikire encouraged members to be involved in the activities of the Institute; saying ICAZ could play a significant role in the revival of the economy. Chimanikire is joined in the presidium by Gloria Zvaravanhu who was elected senior vice president and Martin Makaya who was elected junior vice president. Zvaravanhu is the general manager, corporate services, and company secretary for NicozDiamond while Makaya is a partner at BDO Zimbabwe Chartered Accountants.

Industry and Commerce Minister, Mike Bimha, revealed that government had softened its stance on indigenisation in an attempt to lure offshore capital required to revive the country's disintegrating economy.

The move is meant to bailout a sick and struggling economy which had suffered from widespread company closures and job losses. To confirm the paradigm shift from a radical indigenisation policy, government has approved several transactions allowing foreign-owned companies to control more than 51% shareholding. These include the recent takeover of Blue Ribbon Industries by Tanzanian firm, Bakhressa Group, which is to inject US$40 million into the business in exchange for a 100% shareholding and the 63,25% takeover of Astra Holdings by Tokyo-listed paint manufacturing giant, Kansai Plascon.

The Zimbabwe Investment Authority (ZIA) chairman, Nigel Chanakira, weighed in, saying the indigenisation policy had scared away foreign investors and made it difficult for the country to access international capital.

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Winter School delegates experiencing the desert of Dubai that never sleeps.

"Clearly, the internal surveys done by ZIA, alongside surveys done by the Common Market for Eastern and Southern Africa and the Southern Africa Development Community, point to the fact that the 51/49% indigenisation threshold scares away a lot of investors," said Chanakira. Brait finance director, Sam Sithole, also said many investors had shunned Zimbabwe due to a number of reasons, key among them the lack of clarity and clear policy over indigenisation.

Bimha also gave Chartered Accountants up to November to come up with proposals on how to structure funding arrangements for industry.

The Reserve Bank of Zimbabwe (RBZ) deputy governor, Kupukile Mlambo said government had accelerated efforts to re-engage multilateral institutions namely the International Monetary Fund (IMF), World Bank (WB) and African Development Bank (AfDB), to resolve the country's external debt arrears which stood at about US$1,8 billion as at end of June. These arrears have proscribed Zimbabwe from accessing offshore support to extricate the economy from crisis.

A quadripartite committee chaired by RBZ governor, John Mangudya, has since presented proposals on how to clear the arrears with the three multilateral institutions in Lima, Peru on the sidelines of the IMF/WB annual meeting in October.

Dubai Chapter chairman,Benard Tapera receiving a token of appreciation from ICAZ Senior Vice President Gloria Zvaravanhu. Other members of the Chapter look on.

Cairo headquartered trade finance institution, African Export-Import Bank (Afrexim Bank) vice president, Denys Denya, said Zimbabwe was among their best performers and that the bank never lost any money on transactions done in Zimbabwe since dollarisation of the economy in 2009. He said his bank had given Zimbabwe a lot of support over the past years targeting sectors like minerals and financial services, among others.

Tourism and Hospitality Industry Minister,Walter Mzembi, said: "ICAZ is the biggest policy think tank in Zimbabwe. You are in Dubai, which is a product of creativity, turning adversity into opportunities. What is lacking in Zimbabwe is creativity with the financial models. Let's pull our efforts together."

ICAZ chief executive officer, Matts Kunaka, updated delegates on the status of the Institute, saying it was re-examining the pathways to the Chartered Accountant (CA) qualification.

"The Institute currently has 1 758 members," said Kunaka.

"There are a number of issues which should be looked into which include the training of students and the re-writing of all the exams if one fails one or more. At the moment it takes longer to train a chartered accountant than it takes to train a doctor. In England and Wales, when students write exams, they keep what they have passed and re-write what they failed but in Zimbabwe, if a student fails, he or she re-writes all the exams. We need to relook at the pathways to the CA (Z) qualification."

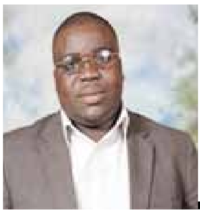
Tapera, chairman of the United Arab Emirates ICAZ Chapter, said it was a dream come true for him and his team to have successfully brought the Winter School to Dubai.

"The talk of hosting the Winter School in a foreign land was a pie in the sky," said Tapera. "This was a fascinating idea with a remote chance of happening any time soon. The ICAZ by-laws were pretty much clear on the matter that the annual event could not take place outside the borders of Zimbabwe. But that dream has become a reality and history has been made.

"The geographical spread of our members with almost half of them now living in the diaspora meant that ICAZ could no longer afford to operate as a Zimbabwe-focused Institute if it was to remain relevant to all its members. There was a desperate need to re-engage with the diaspora members and return them to active participation."

An economist with Emirates NBD, the largest bank in Dubai by market capitalisation, Athanasios Tsetsonis, told delegates that the UAE had an open economy with a high per capita income and a sizeable annual trade surplus. He added that government had increased spending on job creation and infrastructure expansion and was opening up utilities to greater private sector involvement.

The New Auditor's Report



What is the fuss?

By Anesu Daka

THROUGHOUT the year, we heard buzz words like, "long-form", "expanded" or "new audit report", spoken in the accountancy profession circles. Many outreach sessions were carried out by the various key players in our profession including ICAZ, audit firms and the Public Accountants Auditors Board (PAAB) and all contributed to the revolution. We are also noticing the Office of the Auditor General raising awareness in the public sector arena about the same buzz words.

The last time we had something close to this was on the "Guidance on Severe Hyper-inflation conversion" between 2009 and 2011. However, so many standards have been issued after that for example the International Financial Reporting Standard 15 (IFRS 15) "Revenue from Contracts with Customers" but have not garnered such hype.

So, "what is the fuss about the new auditor's report?"
I would like to first give you a glimpse of this new auditor's report, and then address the "fuss" about it to the profession and to Zimbabwe and even the world at large in my personal opinion.

AT A GLANCE

The first thing one needs to understand is that International Standard of Auditing (ISA) 700 Forming an Opinion and Reporting on Financial Statements, was revised resulting in changes in the form and content of the audit report. The changes were a result of the issue of a new standard ISA 701,"Communicating Key Audit Matters in the Independent Auditor's Report" in January of 2015 and the enhancements which were done to the following reporting standards which helped to achieve an overhaul of the auditor's report:
ISA 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report
ISA 570 (Revised), Going Concern
ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information
ISA 706 (Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report

There has been a strong calling by the investor community to enhance the auditor's report, especially after the credit crisis and a number of corporate collapses. Users would like to gain insight into the company through the lens of the auditor. The current audit report format is regarded to have boiler plate language and lacks more entity specific information, hence does not give any useful information from entity to entity or from year to year, especially if it is not modified. Users are also interested in the key audit matters which are not found in the current report. Furthermore, transparency in auditor's report regarding name of engagement partner and the compliance with relevant ethical requirements needed to be enhanced. These items were the key factors that drove the need to change.

The proponents of these changes envisioned benefits such as the following amongst others:

- Enhanced communication between the auditor and investors as well as between auditors and those charged with governance
- Increased attention by management and those charged with governance (e.g., the audit committee) to the disclosures in the financial statements to which reference is made in the auditor's report; and
- Renewed focus of the auditor on matters to be reported, which could indirectly result in an increase in professional scepticism and independence.

The key new inclusions and revisions of the new audit report include:
1. Requirement to include Key Audit Matters (KAMs) in the audit report. KAMs are defined as those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. KAM are selected from matters communicated with those charged with governance;
2. Changes to ISAs and the auditor's report to focus more on Going Concern (GC) Uncertainty. Explicit description of the respective responsibilities of management and the auditor in the auditors' report. Separate GC section required when material uncertainty exists, with a heading "Material Uncertainty Related to Going Concern". New requirement to challenge adequacy of disclosure for GC "close calls";
3. Other enhancement changes include:
a. Auditor's opinion required to be presented first to draw the users to what is important first;
b. The auditor must now provide "Basis for Opinion" section for unmodified opinions
c. The auditor to make an explicit statement about his/her independence and other ethical responsibilities;
d. The name of the engagement partner (for all public interest entities in Zimbabwe) over and above the name of the firm is also required on sign-off
e. Enhanced description of auditor responsibilities and key features of the audit

Effective date:

The above changes are effective for audits of financial statements for periods ending on or after December 15, 2016. Early adoption is however permitted.

To P10

THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF ZIMBABWE

Mission

"To enhance the International standing and recognition of the qualification Chartered Accountant (Zimbabwe), for the benefit of its members, to support them in providing quality services in the public interest.

Vision

"To be the pre-eminent professional body in the development and promotion of accountancy, assurance and advisory services, business and good governance practices."

Values

Honesty
Upholding the truth – no half truths, putting across the right facts, being impartial and full disclosure.

Responsibility
Taking ownership and being dependable.

Integrity
Acting in good faith, standing by what we believe in, independent, fair and transparent, do the right thing, walk the talk in respect of all things.

Focus Goal

Expand the ICAZ membership while maintaining quality and growing influence.

The New Auditor's Report

From P8

The above standard(s) are adopted in Zimbabwe by the PAAB who is the financial reporting and auditing standards setter and regulator of the audit profession. PAAB adopted the standards early in 2015 and has since engaged in many stakeholder awareness campaigns.

PAAB has the mandate to safeguard the public financial interest through standard setting and regulating the accountancy profession in Zimbabwe. It was created by an act (Public Auditors and Accountants Act) of parliament and its counterparts are the likes of Independent Regulatory Board for Auditors (IRBA), the former PAAB of South Africa. ICAZ together with other Institutes are members of PAAB. Thus, PAAB happens to have a leading role in this dialogue.

What is the Fuss?

In this section I would like to express my opinion on why there is hype on these changes. First I would like to reassure you that the fuss is not only in Zimbabwe; rather it is a global hassle. I am confident that my opinion is valid as I have been at the centre of this storm from the beginning. I have been involved in dissecting the requirements and implication of the said standards as a technical advisor, and I have either presented or observed or facilitated in almost all the outreach sessions that have happened. Ranging from the first visit to the Vice President's office and the subsequent visits to the Securities Commission, Zimbabwe Stock Exchange, the Office of the Auditor General, and the Reserve Bank of Zimbabwe and outreach sessions with the audit committee members and senior partners, chief financial officers, and the wider audit practitioner grouping. In all the sessions the first question was always: "what is special about these changes?"

I had the privilege of discussing the same issue recently in New York with the deputy chairman of the International Audit and Assurance Board (IAASB) who chairs the New and Revised Audit Report committee and with other professional across the world about the above changes.

I personally believe the following could be regarded as the key cause of concern, hence, the fussy:

1. Requirement to disclose key audit matters (KAMs)

While investors, securities commissions, the market and the wider user group are celebrating this progressive change, management of companies and audit practitioners seem to be having goose bumps at this idea. The public believe that their financial interest will be somehow safe if they could view the company through the lens of the auditor.

Management seem to be anxious of the impact of disclosure of sensitive company information as KAMs to the market. They point to the possibility that such information could be terminal to their respective companies.

Practitioners world-wide seem to feel laden with the responsibility to communicate KAMs through their audit report. This seems to worsen the expectation gap between the actual role of the auditor and what users expect or would want. A number of questions arise: What if there is discord between the auditors' opinion and the identified KAMs? What if the auditor misses a KAM or KAMs? What if the two auditors reporting on similar entities come up with different KAMs? What is the auditor's liability because of loss suffered due to failure to identify appropriate KAMs? Furthermore, the auditor is not sure of the impact of these changes on the audit fees, thus will management agree to increase in audit fee considering the tight economic environment the world over.

It is important to note that the presumption of the reporting standard is that the auditor was already identifying ALL key matters and reporting them only to those charged with governance through a management report, unless it was resulting with a modification, which would be in the actual audit report. The only further work expected is the selection of the key audit matters for reporting and further discussion of these with those charged with governance and the writing of KAMs on the report.

The key questions from users and regulators: Where ALL KAMs being identified before this by the auditor? What information is management scared would be made public by the auditor? Was there any conspiracy between the auditor and management (threat to independence) or the KAMs was not thoroughly identified since there was no need to communicate?

However, regulators and users believe that KAMs are God-sent manna which will bring salvation to the financial markets. Is this the case, one wonders?

It is therefore clear that all stakeholders and players in financial reporting are therefore interested and are busy discussing the KAMs from their perspective. KAMs seem also to be the key to achieving the "protection of the public financial interest" as they provide insight of the auditor with regards to the company.

2. Requirements for sign-off or disclosure of personal name:

The requirement to put personal name or disclosure thereof is a measure to assure a sense of responsibility and accountability from those who entrusted.

a. Disclosure of the engagement partner personal name, with a "harm's way" exemption

The audit partner is required to sign-off in his or her own personal name over and above the name of the firm. This has therefore raised interest in all practitioners and the possible implications have been discussed deeply. Could there be personal harm by those affected, or financial liability to the individual partner in case of inappropriate opinion, which was previously shouldered by the firm. What about the quality review partners, should they also be disclosed?

b. Supervisor of preparation of financial statements to be disclosed

The need to disclose the personal names has also been extended to the person responsible for supervising the preparation of financial statements.

To P23

THE LONG SLUMP

Farai Gwaka provides key solutions that could get Zimbabwe out of the doldrums.

THE Zimbabwean economy has over the last couple of years seen its growth decelerate. It has now become apparent that another recession is imminent, as key economic sectors continue to underperform.

Consumer demand to drive economic activity, is just not there anymore, as reflected by deflation which has triggered a vicious spiral of negatives such as falling profits, closing factories and companies, shrinking employment and incomes, and increasing defaults on loans by companies and individuals.

Under normal circumstances government would have implemented an expansionary monetary policy to counter deflation through increasing money supply thereby deliberately inducing prices to rise, interest rates to decline, as well as, to enable businesses to increase their profits whilst reducing depressive pressures of wages and debtors.

Government could also stimulate economic activity through undertaking an expansionary fiscal policy where Government would increase its expenditure and investment through running a budget deficit to stimulate economic activity and ultimately growth.

Unfortunately, Zimbabwe's options are limited as the country does not have control over monetary policy. Therefore, fiscal policy has to take the leading role in getting the country out of this economic slump.

Unlike the laws of physics where cause and effect have a linear relationship, cause and effect have a non-linear relationship under the laws of economics. This is because in economics the human element makes it impossible to predict the resultant effect of an action, decision, or change. This is why it is impossible to make reliable economic predictions, because the human element is unpredictable. In economics human behaviour is assumed to be rational, but as most would agree, rationality is often a rare commodity in human behaviour.

In addition, at any point in time within an economy, there are often several economic factors operating at the same time, whose importance changes from time to time.

For example taming inflation may be a central bank's core objective during an economic boom, but it may not be as important as the unemployment level during a slump.

Therefore the challenge for the country's economists is to be versatile enough to adapt to these constant economic changes, whilst avoiding the attitude of the man with the hammer, where every problem is perceived to be a nail.

There are numerous economic policy measures that government can implement to improve the country's chances of getting out of the current economic slump. However, we believe the following policy issues will contribute positively to the country's economic turnaround efforts:

Labour Markets

The strong dollar which underpins the country's multi-currency regime has transformed the Zimbabwean economy from an export oriented economy to a consumption driven economy. From our assessment, there is nothing in the short or medium term that government or any other stakeholder can do about this problem. However, as a means of getting out of the current slump government must reinforce policies that boost consumption. The economic variable to monitor when looking to enhancing consumption is unemployment.

This is because when unemployment increases household disposable incomes decline which further reduces consumption. Furthermore, a reduction of interest rates to stimulate consumption, would only work if more people are formally employed because banks only lend to formally employed workers. Therefore, the level of unemployment is crucial when looking to increase consumption, which makes Zimbabwe's situation very complex as unemployment is very high.

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ZISCO . . . Many companies' fortunes have been affected by the economic downturn.

THE LONG SLUMP

«
The United States of America's solution came through President Hoover's successor, Franklin Delano Roosevelt, who had a different and a more action oriented approach. Roosevelt implemented an economic blueprint called the "The New Deal", in which a vast programme of government deficit-funded projects put armies of jobless to work, with the iconic project of that era being the construction of the massive Hoover Dam, which at that time was the biggest construction project in the world.

The US government basically borrowed money to create jobs, and when employment improved, consumption increased and businesses saw an improvement in profits which prompted them to expand their output, creating more jobs, and the positive cycle continued. This intervention by the US government amongst other policy measures enabled the US economy to get out of the recession.

Against this background the Zimbabwean government, in our opinion, has no choice but to maintain a budget deficit in order to fund projects that create employment. However, if government increases its deficit to fund unnecessary recurrent expenditure such as the purchase of luxury vehicles for government officials, the negative cycles will continue or probably strengthen.

Zimbabwe's huge infrastructure deficit provides opportunities for massive fiscal policy driven infrastructure programs that will create much needed formal employment, which in turn will boost consumption. We, therefore, are in favour of any government policy that promotes the creation of formal employment, because the most reliable means of boosting consumption is through employment creation.

Does Austerity Work When In a Recession?

When faced with an economic recession, austerity is the last thing a country should implement. When government increases taxes and cuts expenditure during a recession, economic activity further deteriorates which further strengthens the downward economic spiral. Since the global financial crisis, governments and global financial institutions have been advocating for the reduction of national debt levels.

As a result, austere policies have been implemented throughout Europe and the United States with the intent of reducing deficits by severely curtailing spending. While reducing wasteful spending is beneficial for recovery, reducing government spending on crucial services or sectors of an economy in most cases has negative repercussions for that country.

When a crude approach to austerity is implemented by a government, such measures may result in increased unemployment, the destruction of human capital, and ultimately the exodus of talent or brain-drain.

Furthermore, the longer people are unemployed it becomes increasingly more difficult to find employment of the same quality due to skill depreciation.

Moreover, the unemployment provoked by austerity deeply affects a society's social cohesion as employment is closely correlated to personal well-being. When employment is created through deficit financing, that employment creates assets, whilst inversely, deleveraging debt through squeezing employment destroys assets.

From a Zimbabwean perspective, Government is currently unable to provide crucial services to its populace therefore further cuts in Government expenditure would have severe negative repercussions for the economy.

Although government's overall fiscal position remains tight, there are still pockets of extravagance and unnecessary expenditure that can be productively employed elsewhere. However, the biggest problem that government faces from a fiscal perspective is growing its revenue base thereby creating fiscal space.

With the country entering into a recession, raising taxes to increase government revenue, as austerity advocates would lobby for, will have no material effect on tax revenues, in fact, the high taxes may actually negatively impact government revenue collections.
If Government can raise at least US$2 billion or 15% of GDP which translates to 5 years growth at a conservative 3% growth per annum, from both domestic and foreign debt, specifically for much needed infrastructure and employment creation, such bold strategies may slow down, if not reverse the current negative economic cycle. However, if the funds raised are not utilized productively because of corruption, extravagance or any other reason, the result will be devastating because the country's national debt would have increased whilst the capacity to repay the debt would have diminished.

Energy and FDI Positive Correlation

According to the United Nations Conference on Trade and Development (UNCTAD), foreign direct investment (FDI) flows to developing economies increased by 2% to US$681 billion in 2014, accounting for 55% of global FDI inflows which stood at US$1,23 trillion.
However, the increase in developing country inflows is, primarily a developing Asia story. FDI inflows to that region grew by 9% to US$465 billion, constituting the lion's share of total FDI to developing economies.

Africa's overall inflows remained flat at US$54 billion, while those to Latin America and the Caribbean saw a 14% decline to US$159 billion, after four years of consecutive increases. Flows to Southern Africa fell by 2% to US$10,8 billion with Mozambique, Zambia, and Tanzania receiving FDI during 2014 worth US$4,9 billion, US$2,5 billion, and US$2.1 billion, respectively. Zimbabwe, in contrast only received US$545 million in FDI during 2014.

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In as much as Zimbabwe is lagging behind on FDI from a regional perspective, Africa only accounts for 4,4% of global FDI inflows and only 7,9% of FDI to developing economies. The bulk of developing economy FDI is going to Asia. The question therefore remains, “what are the Asians doing to attract FDI that Africans are not?” There are several answers to this question, but one issue in our opinion has remained a huge impediment to investing in Africa, and that challenge is the lack of reliable power. There is a direct correlation between economic growth and electricity supply. If sub-Saharan Africa is to achieve its full economic potential, it needs power and lots of it. The region is characterized by ageing power infrastructure that is unable to meet current power demands and therefore suppresses the power demand.

According to the 2014 KPMG Sub-Saharan Africa Power Outlook, the 49 countries of Sub-Saharan Africa with a combined population of up to 1 billion generate approximately the same amount of power as Spain, which has a population of 45 million. Furthermore, power consumption, at 124 kilowatt hours (kwh) per capita per year and falling, is only a tenth of that found elsewhere in the developing world, which is barely enough to power one 100-watt light bulb per person for three hours a day.

We strongly believe that the lack of reliable power is one of the biggest hindrances to FDI inflows to the region, as well as, to Zimbabwe. This is because investors looking to setup large scale manufacturing, mining, or refinery operations in Zimbabwe, will not do so without reliable power.

Therefore, in our opinion, any country within Sub-Sahara Africa that can provide investors with reliable power supply will have a huge competitive advantage in the future. Furthermore, countries with reliable power, regardless of their foreign investor policies, in our opinion, will attract the lion’s share of FDI going forward. With reliable power, anything is possible as long as a nation has peace and stability. This is a huge opportunity for Zimbabwe, because if government focuses on increasing the country’s electricity generation capacity from the current deficit to a surplus situation, attracting FDI will be much easier especially if our regional peers lag behind. Furthermore, this will also benefit existing businesses operating in Zimbabwe whose operations had been crippled by perennial power outages.

This, in our opinion, is “THE BIG ONE”, as solving the country’s power problems will take the country to the next level of development, and also provide numerous downstream benefits to the nation. As the country drifts further into recession, Zimbabwe’s economic outlook is looking gloomier by the day.

Gwaka is the head of research at Zimnat Asset Management. He can be contacted on farai@zam.co.zw

Govt wants **CAs** to help

CHARTERED accountants (CAs) play an important role in furthering social and economic growth and government now wants them to directly assist with structuring national deals, reports ***Phillimon Mhlanga***

INDUSTRY and Commerce Minister, Mike Bimha, has asked CAs to assist government in matters related to structuring offshore deals, as it moves to attract foreign investment.

The development comes against the backdrop of efforts by government to re-position the country by recalibrating its policies, to regain confidence from international investors. The situation could bailout an economy tottering on the brink of collapse due to company closures, with unemployment now estimated unofficially to have hit over 90 percent.

Speaking at the Winter School in Dubai in August, Bimha, challenged the accounting professionals to take part in reviving the economy, saying they had a critical role to play in the turnaround of the country's fortunes. Bimha said there was an urgent need for CAs to join hands with Government and gave them up to November this year to come up with solutions on how to structure deals to lure offshore investors.

"You (CAs) should be at the forefront of the crusade to lure investors," said Bimha.

"Your role as CAs is not just to audit or sign off accounts, you play a key role in the economy. Local companies require funding because they need to retool, they need to recapitalise and they need to re-equip. Unfortunately, most of our local financial institutions don't have that money and the little that they have is really more on short-term basis. Therefore, that's the challenge I want to put across to ICAZ. Can you come forward and structure arrangements to fund industry. The enthusiasm is there (but) what they lack is funding. I would like ICAZ within three months to come and see us with proposals on how to structure funding arrangements offshore."

Investors rely on financial information and one of the most important duties of a CA is to oversee the issues surrounding the capital structure and shaping the strategy of organisations. CAs must determine the best mix of debt and equity. They are increasingly being relied upon as the owners of business information, charged with analysing financial strengths and weaknesses and suggest plans for improvement to enable the company or government to operate more effectively and efficiently.

While CAs play an important role and add great value in their organisations, where they act as a check on the chief executive officer and board of directors, Bimha admitted that they must also advice government for caution and due care, query and question, expose uncomfortable truths and highlight possible risks which government officials can sometimes overlook as they conclude funding arrangements.

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Benard Tapera

ICAZ appoints first Diaspora Council member

Tates (UAE)-based telecommunications service provider, Emirates Telecommunications Corporations (Etisalat), to Council.

Tapera, who is also the Chairman of the UAE Chapter, becomes the first Diaspora member to be appointed into the governing body of ICAZ.

He trained with Deloitte in Harare and qualified as a chartered accountant in 2000.

After qualifying, Tapera was seconded to the Deloitte office in London in 2001 where he spent five years before joining Grant Thornton in the United Kingdom in 2006.

He moved to the UAE in 2007 where he has since been based. Prior to joining Etisalat, Tapera was audit partner with Grant Thornton in Dubai, where he was the head of audit and assurance services. He successfully transformed the firm's policies and procedures to acceptable levels from previously unsatisfactory ratings by the Grant Thornton International practice review. Consequently, Tapera was invited to join the global firm's review team and led teams carrying out reviews of member firms in the Middle East and Europe regions.

He was also an accredited trainer for the Institute of Chartered Accountants of England and Wales students and sat on the Thought Leadership grouping of heads of audit firms in the UAE, whose primary focus was to discuss technical accounting and audit matters and share ideas on appropriate treatment within the local environment.

To P23


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The key to SUCCESS

PETER Moyo, who trained as a Chartered Accountant in Zimbabwe but has been hugely successful in South Africa, highlights that if you're ambitious to succeed in business in South Africa, Chartered Accountancy seems the closest thing to a passport to success

Today, it is Moyo and fellow Chartered Accountant Sango Ntsaluba who are instrumental in driving South African business forward.

The Amabubesi Group, which they founded in 2002, has been responsible for significant multi-million rand investments in black economic empowerment. For more than a decade, the Group has supported enterprise and business across sectors, including construction, property, information technology, financial services and healthcare. "It's about transforming the South African economy to create a greater tomorrow for everyone," says Moyo. "The skills that Chartered Accountancy teaches certainly have a role to play in that."

It's a noble intention — but Moyo admits that the initial appeal of becoming a Chartered Accountant was a little more basic. "KPMG came to do a presentation at my high school in Zimbabwe in the early 1980s and – to be honest – what attracted a lot of us as young people was what we could earn in the profession, we did not know of a profession that could pay us better once qualified."

Tremendous experience

But the real satisfaction rapidly came with the insight into business that the profession offered. "I trained at KPMG in Zimbabwe and then joined Ernst & Young in Johannesburg. I was so fortunate because I got involved in a huge number of assignments – often international. Most assignments lasted for six weeks at most, so by the age of 20, I knew how banks worked, how manufacturers worked — how all kinds of businesses operated. Plus, I was able to interact with management of companies at the highest level — so it was a tremendous experience to have at an early age."

Having joined Ernst & Young as a young auditor in 1991, his enthusiasm and hard work saw him rapidly rise the ranks, becoming a partner within three years. An achievement that's all the more impressive given that he was to join the Executive Committee of the firm and was involved in dramatically overhauling its structure and direction, including the reduction in the number of partners from about 130 to just about 70 in 1997. In 1997, he joined another firm about to undergo a dramatic transformation, Old Mutual. The venerable 150-year old South African insurance group was on the brink of demutualisation and was in deep need of a more commercially-minded approach. "When I joined, Old Mutual was trying to transform itself from a business run by actuaries, selling pensions and insurance, to one run by business people, delivering real client solutions and building deep relationships, and also delivering for shareholders."

Starting in the employee benefits business, his extensive experience in building relationships with major corporate clients soon singled him out. Post-demutualisation, he was invited to become Deputy Managing Director for all operations in South Africa — a post he held for five years.

Being close to clients

His ability to relate to clients and manage business was soon to be tested to the full. He accepted the post of Chief Executive for Alexander Forbes, the international actuarial and consulting group, just as it was contending with shattering revelations of "bulking" within pension funds run by a subsidiary. "It was the biggest corporate scandal in South Africa at the time. To me, as a Chartered Accountant for whom ethical behaviour is second nature, it was unthinkable that we could have done this without proper disclosure to our clients. But we were able to weather the storm and bring the business back to profitability, largely by being close to our clients. It was a great lesson in just how vitally important it is to relate to your clients and put ethics right at the heart of whatever you do."

Having established Amabubesi with Ntsaluba and Thabiso Tlelai in 2002, he joined the business full time in 2008.

"The beauty of having Chartered Accountants managing the business is that we can raise finance and structure our own deals – we don't always need to hire specialists to do that for us. We often sit on the boards of the companies we invest in, we advise on strategy and we build very close relationships." And whereas traditional private equity and venture capital houses typically seek to exit their investments within five years, Amabubesi — Zulu for 'pack of lions' — is there for the long haul. Many of the companies Amabubesi invested in when the company first started, it still holds more than a decade later.

Peter Moyo, Amabubesi Group CEO and Chairman of Vodacom

Multiple challenges

His skills as a business leader and developer are massively in demand as South Africa's economy continues to power ahead. He serves on the board of insurance giant Liberty, and previously served on the boards of Pinnacle Technology Holdings and Transnet, South Africa's leading logistics and transportation provider. Most high-profile of all, he is Chairman of Vodacom, part of UK telecoms giant Vodafone, serving 50 million mobile-phone users across South Africa and across the continent.

"I do think my early years as a Chartered Accountant, when I got to work with so many different companies, prepared me for what I have done later — it's that ability to deal with multiple challenges and assignments, each with their own characteristics," he observes. His uncompromising ethical stance has perhaps also played a role in his success: the chairmanship of Vodacom, for example, was offered after the company saw how he managed events at Alexander Forbes.

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ICAZ, CASS launch Scholarship Trust Fund

THE Chartered Accountants Students Society (CASS), in collaboration with the Institute of Chartered Accountants Zimbabwe (ICAZ), recently launched a scholarship scheme which is expected to benefit students in the country aspiring to be Chartered Accountants.
The Trust was borne out of a realisation that the cost of education has continually increased, taking with it the hopes and dreams of an academically gifted but economically disadvantaged student population.

Objectives of the Trust:

The Trust stands guided by the following objectives:
• To offer educational assistance to academically gifted persons from disadvantaged backgrounds wishing to pursue careers as Chartered Accountants in Zimbabwe;
• To provide financial support for the less privileged students;
• To groom, mentor and provide life skills to beneficiaries;
• To promote the maintenance of any school or faculty providing education in relation to the business of ICAZ and CASS;
• To create awareness of the Chartered Accountancy profession to prospective students and the general public;
• To fund and set up libraries across the country with a bias on accounting related books;
• Generally to do or undertake all or any such other acts, matters or things and charitable activities as are necessary for the attainment of the Trust's objectives.

How it will work:

The old adage goes, "it takes a village to raise a child." The Fund is the collective effort of the Institute, its members and other stakeholders, and will be dependent on a commitment from these constituents to see out its mission. Funding will be a key part in delivering the Trust's mandate, and in this regard, various sources of funds are contemplated thus;
• Proposed voluntary subscriptions and sponsorship by members of ICAZ;
• Proposed corporate partnerships and sponsorships;
• Fundraising activities by the Fund through the Chartered Accountants Students Society (CASS) and ICAZ;
• Non-monetary contributions through voluntary mentorship and grooming of beneficiaries by members; and
• Other forms of sponsorships and contributions to the objects of the Trust.

The Fund is already bolstered by the fact that CASS, through its fundraising efforts, managed to donate school uniforms and stationery to Harare Children's Home and textbooks to SOS Children's Village, to the combined value of US$8 800 in the past year. Although it pales in comparison to what we aim to achieve, this shows us what is possible. To this date CASS has managed to set aside US$2 000 and is also expecting some injection from the proceeds from the inter-firm sports day fund raising activities.

Applying our resources:

Funds obtained through the Trust will be applied to activities that include; scholarship awards, outreach programmes, establishment of study centres, donations of study material to libraries and other educational institutions, with a bias towards accounting related texts. Other non-monetary resources will also be deployed through the Institute's members who will be expected to play a key role in mentoring and grooming the students, providing valuable life skills information, sharing their personal experiences and offering career guidance to enable informed decision making.

The Patron

Ngoni Kudenga (ICAZ Past President Kudenga is an iconic figure and an architect of considerable distinction in his own sphere and in the local accounting fraternity at large. He managed to qualify as a Chartered Accountant at a time when the odds were stacked against him. He went on to set up an indigenous professional accountancy firm that has since been aligned to international standards.

Deal sealed . . . From left, Gerald Matavata (CASS immediate past president), Tinashe Rwodzi (past president ICAZ) and Chiedza Dziva

Kudenga understands what it takes to build a professional career against the backdrop of stifling conditions with resilience. His story reflects what is possible when young achievers are given a chance to work towards the attainment of their goals.

Who are the Trustees?

The ICAZ-CASS Scholarship Trust Fund shall be overseen by a Board of Trustees constituted thus;
• Arthur Mubaiwa (Chairman of the Education Committee) (Chairman)
• Gerald Matavata (Immediate Past President - CASS) (Vice Chairman)
• Gloria Zvaravanhu, ICAZ senior vice president
• Mathews Kunaka (ICAZ CEO)
• Tinashe Rwodzi (Past President of ICAZ)
• Chiedza Dziva (CASS Committee member).

Our Appeal:

An investment in knowledge pays the best dividends. We have an opportunity as an Institute, and as people with a societal responsibility, to make our mark on the education of youths and in empowering the community. Your support in the form of contributions, pledges, corporate partnerships and devotion of your time to mentorship and outreach programs is invaluable. We got a chance at life, and part of the underlying social contract is that we take a chunk out and pass it on to the next child who comes along.

"Education is the great engine of personal development. It is through education that the daughter of a peasant can become a doctor, that the son of a mineworker can become the head of the mine and that a child of farm workers can become the President of a nation." – Nelson Mandela

Zim could earn US$5 billion from TOURISM

ZIMBABWE is repositioning itself for tourism investment boom through a number of initiatives, writes PHILLIMON MHLANGA.

TOURISM and Hospitality Industry Minister, Walter Mzembi, says Zimbabwe is set to earn US$5 billion annually when work to revamp the sector's infrastructure is complete.

Mzembi told delegates at the Winter School in Dubai that the country has identified tourism infrastructure developments as key to plans to revitalise the ailing economy.
Some of the projects that government has embarked on to revive the tourism sector include the upgrade of the country's major roads.

Mzembi also stressed the need to have an open sky policy and to open the country's borders so as to attract more tourists to Zimbabwe.

"I have a dream and a dream for the tourism sector and my dream is that by the year 2020, Zimbabwe's tourism sector should be able to earn US$5 billion annually," said Mzembi.

The country's Beitbridge border post between Zimbabwe and South Africa and the Chirundu border post between Zimbabwe and Zambia will undergo major revamp.

The Beitbridge-Chirundu highway connects Zimbabwe and South Africa and to countries such as the Democratic Republic of Congo, Tanzania, Zambia and Malawi, making it Beitbridge and Chirundu the busiest inland boarder posts on the African continent.

The rehabilitation of the highway is now set to go ahead following an agreement between government and a consortium called Zimhighway initially awarded the contract for the project in 2003.

Government awarded the Zimhighway Consortium, made up of companies that include Masimba Holdings (formerly Murray & Roberts), Costain Africa, Kuchi Building Construction, Tarcon, Bitcon, Joina Development Company and Southland Engineers, the project to dualise the highway.

However, the project failed to take off after dollarisation of the economy due to sharp differences between government and the project promoters. Government said the consortium did not have the financial wherewithal to execute the project while the consortium accused government officials of demanding bribes and throwing spanners in its works.

The consortium also accused government of going behind its back to negotiate a separate deal with the Development Bank of Southern Africa (DBSA), with which Zimhighways had agreed on a funding plan.

Now, the feuding parties have since reached an agreement to drop the court case and clear the way for the rehabilitation of the highway which is way beyond its life-span and is in an advanced state of disrepair. It has been in use for over 55 years. It includes the expansion of existing runway, construction of a new runway, construction of a new terminal building as well as a car park and road network.

The new look multi-million dollar Victoria Falls International Airport, whose upgrade is underway, and is expected to be commissioned before the end of the year. The development is expected to boost the airport's aircraft handling capacity and tourism in the resort town of Victoria Falls, one of the seven natural wonders of the world.

Apart from that, Victoria Falls has the potential to become a commercial centre.
Mzembi said the improved airport would be a game changer in tourism.

The airport's passenger capacity would

Walter Mzembi

be increased from the current 500 000 to about 1,8 million annually.
It would also be able to handle long-haul jets from abroad, such as Airbus A340, Boeing 777 and Boeing 747.The new facilities are expected to increase efficiency in Zimbabwe's tourism sector as well as improve its image.

"I am dreaming of a future where we are going to have direct flights into Victoria Falls — British Airways landing to Victoria Falls, Virgin Atlantic, direct into Victoria Falls, South African Airways, direct into Victoria Falls.
No limitations in the infrastructure carrying capacity because we have pumped money into this project."

Through the vision, the country aims to attract at least five million arrivals per year and growing the sector to contribute 15% of the gross domestic product. Zimbabwe is currently receiving two million visitors, generating annual revenue of US$1 billion, while contributing 10% of the gross domestic product. The US$5 billion tourism target by 2020 will be achieved in stages were in 2015, US$1 billion is expected to be to be achieved, 2016 (US$1,5 billion), 2017 (US$2 billion), 2018 and (US$3 billion).

Mzembi, however, said there were two critical conditions that the country must meet in order for the US$5 billion targets to be achieved. Zimbabwe must rapidly re-brand and improve its country image in the eyes of the international community and that the sector's critical enablers must be capacitated to play their part.

The New Auditor's Report

From P10

The key reason being to explicitly show that the responsibility of the financial statements is not of the auditor and to enhance accountability on the preparation of financial reports. NB: This requirement is a new requirement by PAAB after seeing other leading professions like South Africa.

This requirement has also attracted a lot of interest from the accountants in commerce as it is likely to expose those who were carrying these duties whilst they are not registered professional accountants or where not taking enough responsibility to the reporting process.

There have been earnest discussions and considerations on the disclosure of names of the above mentioned individuals across the market. I can only say leading profession like South Africa are past these question as they are already applying this requirement and thus I do believe it is no deal breaker.

3. The call for early adoption of the changes
All Zimbabwean regulators, government and users mentioned above who heard about the above changes were excited and called LOUDLY for the early adoption and application of these changes earlier than 15 December 2016. Most where advocating for first application to those public interest companies with 31 December 2015 year ends.

This further brought all the uncertainties closer than end of 2016. Prospects for early adoption called for honest dialogue about preparedness of all parties involved like practitioners, management and users. It is also important to note that the most affected party is the audit practitioner who is responsible for the audit report.

There has been a quite honest discussion on whether the practitioners are prepared to apply these changes as required by the regulators for the December 2015 year ends entities. The general consensus from the practitioners is that this will be too early for a fair attempt to apply this standard. The regulation defining public interest entities have not been finalised as well as the fact that some of the audits have already started and engagement letters have been signed. The practitioners have therefore suggested for a pilot-run of the new and revised audit report to allow for the learning curve. The report would thus not be available for public consumption.

4. Audience of the Report
The audit report would be public information for public interest entities and the introduction of the KAMs as discussed above would be widely viewed. So the changes on the audit report unlike all other financial reporting and auditing standards would be of public interest as the audit report is the key deliverable of the audit process. Due to this reason there was need to engage many stakeholders and no wonder the interest.

The horizon is promising interesting and testing times for the accountancy profession as whole. However, like before I have confidence that history is going to be made and together we shall lead as before. Remember what does not kill you makes you stronger. Thus, I am sure these changes shall make our beloved profession stronger and improve transparency in our financial market.
I do therefore hope we now understand what the fuss is all about. It is about the future and the promises it bears for all of us who chose to be a part of it.

Anesu Daka (CA (SA) (Z), is Chartered Accountants Academy (CAA) CEO and ICAZ Technical Advisor

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ICAZ appoints first Diaspora Council member

From P16

As evidence of his passion for knowledge sharing, Tapera has presented on technical issues at a number of high profile conferences, notably the World Accounting Forum held in Dubai in 2011.

Tapera has worked tirelessly to promote the chapter's profile within two years of its formation, making it one of the most active chapters. It was through his passionate presentation at the 2014 Winter School together with Gideon Nengomasha, a member of the UAE Chapter, that the ICAZ Council was convinced to approve the proposal to hold the Winter School outside the borders of Zimbabwe for the first time in the history of the Institute.
Tapera is married to Norah and they have two daughters, Ratidzo (16) and Kudzai (10).

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1. CAs accounting for their dancing moves.
2. Enjoying in the Dubai sands.
3. All smiles . . . Golf-winning team in Dubai.
4. Golfers share lighter moments at the networking day at Chapman Golf Club.

5. ICAZ CEO, Matts Kunaka (extreme right) sharing a lighter moment with South African Ambassador to Zimbabwe, H.E Vusi Mavimbela while ICAZ president Roy Chimanikire (second from right) and Sabina Chitehwe look on.
6. Chimanikire (extreme right) and senior vice president, Zvaravanhu (extreme left) with the winning team at Chapman Golf Club.


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