

*The Institute's mission is to enhance the standing of the qualification CHARTERED ACCOUNTANT (ZIMBABWE) for the benefit of its members, to support them in providing quality services in the public interest and to be seen as leading players in the business and accountancy world.*

## **The Institute of Chartered Accountants of Zimbabwe**

**Registered Office:**  
2 Bath Road  
Belgravia  
**HARARE**  
*Annual Report 06*

**Council 2006/ 2007:**

<b>Presidency:</b>	<b>In Practice</b>	<b>Out of Practice</b>
VL Ndlovu		√
T Gumbo	√	
NPS Zhou		√
<b>Members:</b>		
E Chisango	√	
M J-R Dube		√
S Gwanzura	√	
F Kuipa	√	
G Langlois	√	
T Moyo		√
W Mupanguri	√	
D J Scott	√	
C B Thorn		√
S Turk		√
E W Bloch	√	
B Njikizana	√	
DS Gwande	√	
MA Harvey	√	
T Rwodzi	√	
C Mtasa		√
C Malunga		√
	<b>12</b>	<b>8</b>

**Auditors: Ernst & Young**

**Bankers: Standard Chartered Bank Zimbabwe Limited**



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## PRESIDENT'S REPORT



**V.L. NDLOVU CA (Z)**

As my term comes to an end I have to reflect on the last twelve months. For me it has definitely been a hectic year. Whether that year has yielded what we sought to achieve at the beginning I believe only time and you, our members, will be able to tell. However, I can assure you that I have enjoyed the experience. The most rewarding part has been the inter-action I have had with you and the counsel that I have received from the generality of our members.

The Institute is committed to maintaining its status as the prominent accounting professional body in the country. To sustain this position, the Institute has to grow, be dynamic, be accessible and also be relevant to the changing world.

May I remind you that when I assumed office I listed nine areas that I felt we needed to focus on during my term? These were:

1. Maintaining the integrity of our profession
2. The Technical Development Project (TDP)
3. Compliance with International Accounting Standards

4. Internal Public Relations
5. The Education Initiative: Partnerships with local universities
6. Legal reform
7. Institutional Reform – The Performance Enhancement Programme for the Institute
8. Regional and international affiliations
9. Public Private Sector Partnership (PPP) initiative

It is against this background that Council drew up a strategic plan for 2007 – 2011, which currently is being implemented by the Secretariat. The implementation of the strategy is phased and starts with addressing the issue of service to members and stakeholders and improving the Institute's public image and status.

The Institute has to provide an environment that attracts and retains competent people at the Secretariat. Technical Manager positions still have to be filled. The CEO, Registrar/Legal Officer and Systems Administrator/Librarian positions have been filled. It is hoped the new incumbents will find the environment at the Institute challenging and rewarding for them to stay longer than hitherto.

The question of what the Institute has to focus its resources on has been addressed. Previously the institute has been involved in some non-core activities, which have tended to shift its focus from its core objectives per the Accountants Act and obligations for continued membership to ECSAFA and IFAC. These non-core activities are being phased out.

Despite the economic hardships, the Institute has performed well in the areas of membership growth, education and technical activities as is highlighted in the CEO's report.

The economic and political situation in our country has continued to deteriorate. This has had a negative impact on our Institute and on us as members in whatever economic activity we are engaged in. Calls for ethical behaviour and conduct on members and other professionals have never been greater because of these economic and political challenges.

As I write this message, Government has decided to use heavy arm tactics to force businesses to implement a price formula that Government has determined. The negative effects of this ill-advised crackdown are well documented and will certainly have substantially played out by the time you read this message. My message of upliftment and comfort goes to those of our members who have borne the worst of this unfortunate episode. We believe that as Chartered Accountants and business advisors we owe it to our nation to offer our advice at this time of crisis. We are competent to advise on strategies that businesses should implement to mitigate the impact of inflation. The reality is that we are in a hyperinflationary economy, and we are not the first in the world to be in that position. Therefore, our advice is that we need not reinvent the wheel. Most of the economies that successfully brought their inflation under control did so in an atmosphere characterised by Public Private Sector co-operation and a holistic approach involving fiscal discipline, monetary policy initiatives, international capital flows, low corruption, rule of law, high accountability and political stability. All those factors are currently dysfunctional in Zimbabwe at this moment. What our country needs right now are strategies that will restore business confidence and consequently restore productive capacity once the economic

structural pillars are addressed. I am reminded of an email I received from a colleague recently, which I shall reproduce below, with minor changes:

*To reflect and .....Act*

*The difference between the poor countries and the rich ones is not the age of the country.*

*Countries like India and Egypt that are more than 2000 years old and are poor can show this.*

*On the other hand, Canada, Australia and New Zealand, that 150 years ago were inexpressive, today are rich.*

*The difference between poor and rich countries does not reside in the available natural resources.*

*Japan has limited territory, 80% mountainous, not suitable for agriculture and yet it ranks one of the most successful economies in the world, in the top three. The country is like an immense floating factory, importing raw material from the whole world and exporting manufactured products.*

*Another example is Switzerland, which does not plant cocoa but has the best chocolate in the world. In their little territory they raise animals and plant crops during four months per year. And yet they produce dairy products of best quality. It is a small country that transmits an image of security, order and labour, which made it the world's strong "safe".*

*Executives from rich countries who communicate with their counterparts in poor countries show that there is no significant intellectual difference.*

*Race or skin colour are also not important; immigrants labelled lazy in their countries of origin are the productive power in rich countries.*

*What is the difference then?*

*The difference is the attitude of the people, framed along the years by the education and culture.*

*On analysing the behaviour of the people in rich and developed countries, we find that the great majority follow the following principles in their lives:*

- 1. Ethics, as a principle*
- 2. Integrity*
- 3. Accountability*
- 4. Respect to the laws and rules*
- 5. Respect to the rights of other citizens*
- 6. Work loving*
- 7. Strive for saving and investment*
- 8. Will of super action*
- 9. Punctuality*

*In poor countries, only a minority follow these basic principles in their daily life.*

*We are not poor because we lack natural resources or because nature was cruel to us.*

*We are poor because we lack attitude.*

*We lack the will to comply with and teach these functional principles of rich and developed societies...*

Source: Unknown

*basic principles in their daily life.*

*We are not poor because we lack natural resources or because nature was cruel to us.*

*We are poor because we lack attitude.*

*We lack the will to comply with and teach these functional principles of rich and developed societies...*

Source: Unknown

Finally, I would like to thank my two Vice Presidents, all Council and Committee members for volunteering their time to serve the Institute.

I also acknowledge the commitment of the Institute staff who worked hard in a harsh economic environment and without a substantive CEO for a considerable time. On this note I would like to welcome the new members of staff and in particular, our Chief Executive Officer, Mr Sonny Mabheju and the Registrar/ Legal Officer, Mr Lungile Ndlovu.

Thank you for giving me the opportunity to lead our Institute; it was indeed a pleasant experience for me. I wish the incoming President, Mr Tawanda Gumbo a fruitful and pleasant term and I trust that you will give him your support in the same way that you motivated me.



**VULINDLELA LESTER NDLOVU**

## CHIEF EXECUTIVE OFFICER'S REPORT



Sonny Mabheju CA (Z)

### General Background

Members are obviously aware that the Institute has been experiencing instability at Senior Executive positions level (Chief Executive Officer and Technical Managers) for a number of years now. When I came in as Chief Executive Officer in May, the Institute had operated for four months without a substantive CEO. Technical Manager positions have been and are still vacant by now which obviously is compromising the Institute's ability to provide technical support to its members and stakeholders.

Our economy is not performing well in most key sectors, some of which are shrinking. Our profession's growth is largely linked to economic growth and business vibrancy. The state of the economy is therefore having a negative impact on the growth of the profession with most members leaving the country and organic growth of some firms curtailed. The number of clients for some firms is not growing and most of their existing clients are not growing in terms of scale of operations and are operating well below capacity.

Those of our members employed outside the profession or running their own businesses are facing the same problem of the companies either not growing or shrinking in terms of volumes of trade.

This state of the economy is also affecting the ability of the Institute to attract and retain personnel in key areas of the Secretariat i.e. the technical department and as a result service delivery by the Institute has been negatively affected. In order to provide technical service to members on a sustainable basis, the Institute needs a technically strong human capital base in the form of dynamic, competent and committed people. As a knowledge organisation, this internal infrastructure of skills needs to be built first before there is expectation of any meaningful service delivery to members from the Secretariat. Technical Committee members, as non-executives can only do so much. The bulk of the sustainable service delivery has to come from the Institute's internal technical resources. Currently the Institute's Secretariat is simply an administrative machinery not doing much in terms of enabling the Institute to achieve its objectives.

### Changing Environment

Locally, there has not been much activity in terms of changes in legislation and regulation affecting the profession as compared to other countries worldwide. In South Africa and other countries there has already been legislation regulating the activities of auditors.

At International level standards setting bodies have been very active

and demands from the public regarding governance by institutions is growing. Like any other profession, the accountancy profession cannot be isolated from the rest of the world. Our member obligations for continued membership of ECSAFA & IFAC continue to grow inline with the requirements of those international bodies. Our Institute cannot afford not to be a member of those bodies. Continued membership is good for all of us as individual members and for ICAZ.

The international developments and obligations for continued membership of the various institutions have significant effects on the professional accountant. The profession has become a profession of life long learning and development. The professional therefore, has to invest a lot of financial and time resources to self-improvement in terms of keeping up to date with new developments.

This is the trend the world over and it has necessitated the introduction of Continuing Professional Development (CPD) driven by the Institute. A committee, as you are all aware has been established at the Institute to take care of this new development and administer it. This should be viewed as a chance for self-development by members and avoid the risk of being an expired Chartered Accountant. Members who have no access to international networks of updates on current developments should welcome the development and enforcement of CPD. Here I have in mind members who are in small professional practices and outside professional firms. To assist

members in recording and communicating their CPD hours, the Institute has provided a CPD recording facility on its website.

This development should help enhance the image of Chartered Accountants to the public as professionals who are responsive to the changes taking place in the business world.

### **Service to Members**

As already mentioned earlier, this area is of great concern to the Institute. A lot of resources, financial and human capital have to be put into this area for the Institute to meet one of its basic and fundamental objectives. Structural changes also have to be made to what the Institute is currently doing in order to refocus its attention and effort to what it is supposed to do per the Accountants Act, local regulatory requirements and international obligations. Efforts to address this have already started and form part of the Strategic Plan the Institute has embarked on. Independent member surveys will be conducted in future to enable members to rate the services provided by the Institute to them. An initial survey has already been conducted by an external consultant to establish the rating before the implementation of the Strategic Plan.

### **International Financial Reporting Standards**

The Institute and its members have an obligation to support and promote the use and rigorous application of IFRSs. The standards are developed by the IASB in the

public interest with the objective of having a single set of high quality global accounting standards.

Concerns have been raised in the International Accounting Community regarding the application of full IFRSs to small and medium enterprises (SMEs). The IASB states that full IFRS were not designed for SMEs. In February 2007 the IASB published for public comment an exposure draft of an IFRS for SMEs. The aim of the proposed standard is to provide a simplified, self-contained set of accounting principles that are appropriate for smaller, non-listed companies and are based on full IFRSs, which are developed primarily for listed companies.

y removing choices for accounting treatment, eliminating topics that are not generally relevant for SMEs and supplying methods for recognition and measurement, the resulting draft standard significantly reduces the volume of accounting guidance applicable to SMEs when compared to the full IFRS. As a result of this, the Exposure Draft offers a workable, self-contained set of accounting standards that would allow investors for the first time to compare SMEs' financial performance across international borders on a comparative basis. Comments on this ED are due to be received by IASB not later than 10 October 2007.

ECSAFA Standards Setters Workshop was held on 13 April 2007 to look at the Exposure Draft. The workshop was facilitated by Paul

Packer, Director, Standards for Small and Medium Sized Entities for IASB. The Senior Vice President of ICAZ and myself attended this workshop in Namibia. ICAZ's input to the ED will be through ECSAFA. We are still awaiting the summary of discussions at the workshop from the ECSAFA Technical Manager to enable the Institute to give further input.

Calls have also been made to IASB to reject further interpretation of IFRSs to avoid excessive rules undermining professional judgement.

The IASB has indicated that there will be no new major standards to be announced effective before 2009. I am sure this is a welcome announcement for many members.

### **International Auditing & Assurance Standards Board (IAASB)**

The Institute supports the standards on auditing, review, other assurance, quality control and related services set by the IAASB. These enhance the quality and uniformity of practice in these areas worldwide and strengthen public confidence in financial reporting.

The IAASB is quite busy at the moment and the table below shows work-in-progress of the various projects the IAASB was engaged in as at end of April 2007. All this work being done by the IAASB has a direct bearing on the extent to which practising members have to keep themselves up to date.

**IAASB Project Timetable as of April 2007**

(Subject to periodic revision and change by the IAASB)

<b>Project</b>	<b>Jul-07</b>	<b>Sep-07</b>	<b>Dec-07</b>	<b>Mar-08</b>	<b>Jun-08</b>	<b>Sep-08</b>
ISA 200 (Revised and Redrafted), Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with ISAs				Review ED comments		Approve final ISA
ISA 210 (Redrafted), Agreeing the Terms of Audit Engagements	Approve ED of redrafted ISA			Review ED comments Approve final ISA		
ISA 220 (Redrafted), Quality Control for Audits of Historical Financial Information, and ISQC 1 (Redrafted), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements	Approve ED of redrafted ISA and ISQC				Review ED comments	Approve final ISA and ISQC
ISA 230 (Redrafted), Audit Documentation		Review ED comments Approve final ISA				
ISA 250 (Redrafted), The Auditor's Responsibilities Relating to Laws and Regulations in an Audit of Financial Statements				Review ED comments		Approve final ISA
ISA 260 (Revised and Redrafted), Communications with Those Charged with Governance		Review ED comments Approve final ISA				
ISA 320 (Revised and Redrafted), Materiality in Planning and Performing an Audit		Review ED comments Approve final ISA				

Project	Jul-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
ISA 450 (Redrafted), Evaluation of Misstatements Identified during the Audit		Review ED comments Approve final ISA				
ISA 402 (Revised and Redrafted), Audit Considerations Relating to an Entity Using a Service Organization		Approve ED			Review ED comments	Approve final ISA
ISAE 3402, Assurance on a Service Organization's Controls (New - working title)		First read of ED	Approve ED			Review ED comments
ISA 500 (Redrafted), Considering the Relevance and Reliability of Audit Evidence				Review ED comments Approve final ISA		
ISA 501 (Redrafted), Audit Evidence – Additional Considerations for Specific Items		Approve ED of redrafted ISA			Review ED comments Approve final ISA	
ISA 505 (Revised and Redrafted), External Confirmations	Approve ED			Review ED comments	Approve final ISA	
ISA 510 (Redrafted), Initial Engagements – Opening Balances	Approve ED of redrafted ISA				Review ED comments Approve final ISA	
ISA 520 (Redrafted), Analytical Procedures			Approve ED of redrafted ISA			Review ED comments Approve final ISA
ISA 530 (Redrafted), Audit Sampling	Approve ED of redrafted ISA			Review ED comments Approve final ISA		
ISA 540 (Revised and Redrafted), Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related		Review ED comments	Approve final ISA			

Project	Jul-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
Disclosures						
ISA 550 (Revised and Redrafted), Related Parties				Review re-ED comments	Approve final ISA	
ISA 560 (Redrafted), Subsequent Events			Review ED comments Approve final ISA			
ISA 570 (Redrafted), Going Concern			Review ED comments Approve final ISA			
ISA 580 (Revised and Redrafted), Written Representations		Review ED comments	Approve final ISA			
ISA 600 (Revised and Redrafted), The Audit of Group Financial Statements	Approve final ISA					
ISA 610 (Redrafted), The Auditor's Consideration of the Internal Audit Function		Review ED comments Approve final ISA				
ISA 620 (Revised and Redrafted), Using the Work of an Auditor's Expert as Audit Evidence	Approve ED				Review ED comments	Approve final ISA
ISA 700 (Redrafted), The Independent Auditor's Report on General Purpose Financial Statements	Approve ED of redrafted ISA			Review ED comments Approve final ISA		
ISA 705, Modifications to the Opinion in the Independent Auditor's Report	Approve ED of redrafted ISA			Review ED comments Approve final ISA		
ISA 706, Emphasis of Matter and Other Matter(s) Paragraphs in the Independent Auditor's Report	Approve ED of redrafted ISA			Review ED comments Approve final ISA		

Project	Jul-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08
ISA 710 (Redrafted), Comparatives		Approve ED of redrafted ISA			Review ED comments Approve final ISA	
ISA 720 (Redrafted), The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements		Review ED comments Approve final ISA				
ISA 800 (Revised and Redrafted), Special Considerations – Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	Approve ED of redrafted ISA				Review ED comments Approve final ISA	
ISA 805 (Redrafted), Engagements to Report on Summary Financial Statements	Approve ED of redrafted ISA				Review ED comments Approve final ISA	
New ISA on Control Deficiencies Noted in an Audit (working title)		First Read of ED	Approve ED of redrafted ISA			Review ED comments Approve final ISA

## Auditing Profession Regulation

Practice reviews have become a requirement for ICAZ's continued membership of ECSAFA & IFAC although it is not yet covered by local statutory legislation.

The Institute has engaged two consultants to work together with the Secretariat to carry out the practice reviews.

The pace to date has been very slow because ICAZ did not have a CEO and other internal technical staff to drive the reviews. I am now working with the two consultants to clear the reviews which had already been done before I joined the Institute, and am also working on developing the framework against which the reviews will be carried out. The actual fieldwork will be speeded up once the two technical managers' positions have been filled or alternatively additional consultants will be engaged to speed up the reviews.

## International Position

- **ECSAFA**

The Senior Vice President Tawanda Gumbo and myself represent the Institute on ECSAFA. The two of us attended the ECSAFA Council & EXCOM meeting in Namibia in April 2007. In September we are hosting the same here in Zimbabwe. This event needs support from all of us as members.

- **IFAC**

Names for nominations on various boards and committees of IFAC

reached IFAC late. We will submit again next year so that the Institute has direct representation on some of the IFAC Boards and Committees. With direct representation on IFAC Boards and Committees, it will be easy for the Institute to host some of the IFAC Boards and Committee meetings in future, which will help enhance the image of the Institute globally.

## Relevance of the CA (Z) Qualification

Members, especially the newly qualified, continue to leave the country. This is a combination of two significant factors, one being the lack of growth in the economy and shrinking of most sectors of the economy and the other being the strength of the CA Zimbabwe qualification, which makes the demand for our members high globally. Those going out of the country are either going on secondment by their employers who have network offices globally or opt to go out on their own.

Because of the broad base on which our members are employed or get involved, it is necessary to review on a continuous basis the needs of the organisations that employ Chartered Accountants to ensure that our course content produces relevant Chartered Accountants of high quality. It is with this in mind that consideration should be given by Council to include a module in ethics somewhere in the CA curriculum.

## Finance

The operating environment in the country is challenging to say the least. I will not dwell on this issue to any length because each one of us is aware of these challenges which have led us to not only increase subscriptions but also to shorten the billing interval from half yearly to quarterly as one of the ways to manage inflation. One hopes and prays that this nightmare comes to an end sooner rather than later. Having said that the Institute was in a satisfactory state of financial affairs at year-end.

## Institute Strategy

The Institute has engaged a Strategy Consultancy firm to drive its strategic objectives to move it from its current status to where Council wants it to be. The assignment is now at implementation stage by the Secretariat. Periodic assessment of progress will be made as implementation progresses in phases.

It is hoped that by the end of this project we will have addressed the four critical strategic objectives stated below.

These are:-

- **Member/Stakeholder** – as a member driven organisation, the member/stakeholder expectations drive it.
- **Finances** – the Institute needs a financial base accountably managed to enable it to meet all the other objectives.

- **Internal Operational Processes** – the Institute needs to operate efficiently and effectively to be able to deliver.
- **Organisation and Learning** – the Institute needs a pool of highly skilled, motivated and competent staff and an IT strategy geared to meet its needs.

Once the above key objectives are met, the Institute will be in a position to fulfil its obligations per the Accountants Act and public expectation. It is important to note that the Secretariat alone cannot achieve the objectives. It needs total support and commitment from members through the Council.

## COUNCIL 2006 - 2007

The Presidential Year began at the Mashonaland Society's Winter School held at Troutbeck Sun in July 2006. Vulindlela Lester Ndlovu was elected President, Tawanda Gumbo as Senior Vice-President and Nyasha Zhou as Junior Vice-President.

## Membership

The Institute Membership Register currently shows a total membership of 1460 (2005 – 1388).

## Member Types

Member Type	Count
M1 Non-practising	572
M2 Practising	98
M3 Inactive	31
LS1 Non-practising>60	49
LS2 Practising>60	18
LS3 Inactive>60	38
AM1 Absentee Non-practising	540
AM2 Absentee Practising	6
AM3 Absentee Inactive	18
ALS1 Absentee Non-practising>60	60
ALS3 Absentee Inactive>60	30
<b>TOTAL</b>	<b>1460</b>

## Members By Continent

Africa	1163
Europe & Mid East	178
Australia	66
America	53
<b>Total</b>	<b>1460</b>

## Membership Categories

	Non-practising	Practising	Inactive	Total
Resident	616	116	60	792
Non-resident	600	6	48	654
Honorary	5	0	9	14
<b>Totals</b>	<b>1221</b>	<b>122</b>	<b>117</b>	<b>1460</b>

The category "practising" refers to members providing services direct to the Zimbabwe public.

## Known Deaths of Members

The Council regrets to report the known deaths of the following

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members: Victor Muchatuta, Edwel Katsande, Charles Mhlanga and Gibson Makwamure.

## Student Accountants (a.k.a. "Articled Clerks")

A student accountant is by legal definition a student training to become a Chartered Accountant. The Institute is on a drive to increase student numbers, which has seen the registration of 8 new training offices.

Total number of Students 794

TOPP Students	196
TIPP Students	598

To become a Chartered Accountant, a student accountant must pass the qualifying examination and also complete a period of practical training. The practical training may be carried out either at an accredited training office of a practicing firm (*Training in Public Practice – "TIPP"*) or at an accredited training office in commerce and industry (*Training Outside Public Practice – "TOPP"*).

It has been 10 years since the Institute introduced its new curricular for the Training of Accountants. This curricular and examination structure is the basis upon which the Institute entered into reciprocal agreements with the Institutes of England and Wales, Australia, Ireland, Scotland, Hong Kong and South Africa.

The curricular and examination structure will therefore need periodical reviews to ensure they still continue to meet the requirements of the reciprocating Institutes.

### Quality Control in the training process

The Institute ensures that the student accountants meet the stringent requirements that the Institute itself and the International Community expect. The Institute itself through the Education Committee, which monitors both the Training Contracts and the Training Records of the firms, oversees this process. Further the Institute conducts firm visits on a regular basis to verify that the training process is taking place as per the training manual.

### Students Support

Students are represented on Council by the Junior Vice president who meets with the student representatives (Student Societies) on a regular basis to understand their needs and to provide guidance to the students. Students also get support from the District Societies where they are also represented.

## COMMITTEE REPORTS

### IAS 29 – Audit Opinion

APSC considered this issue and agreed that non-compliance with IAS 29 should result in an **Adverse Opinion** and a disclaimer. The issue was no longer about non-availability of information, but one in which there was no uncertainty that the historical cost financial statements clearly do not present a true and fair view in terms of IFRS's.

APSC and APC held a joint meeting to consider the matter of continuing side by side presentation of inflation adjusted and historical cost financial statements. They agreed that they cannot stop separate disclosure of historical numbers as the standard only discourages these (as opposed to not permitting). Furthermore, any separate disclosure is equally discouraged by the standard (whether side by side or as an annexure). It was acknowledged that the audit report should state clearly that it is based on the inflation adjusted financial statements. APC proposed that the main body of the audit report should also state that historical numbers are supplementary to reinforce the statement usually made by the directors in the accounting policies.

### IT Systems Certification Checklist

The Institute's comments on the IT Checklist were submitted to RBZ at the ICAZ-RBZ Liaison Committee meeting held on 23 November 2006 at RBZ. The RBZ representatives agreed with the ICAZ submissions that the rating element of the checklist is inherently subjective and that they should be availed a copy of the detailed auditor's report on which rating is based. The RBZ advised ICAZ that they would like ICAZ members to adhere to International Best Practice Auditing as these standards incorporate issues that RBZ would like addressed.

### Short Term & Life Insurance

APC sub-committee on Short Term and Life Insurance is planning to

have a working-party committee that would include representatives from the Insurance Council, Life Companies and respective auditors that are likely to be affected. The working-party committee will work towards coming up with a recommendation for industry to ensure consistency and comparability reporting. The working-party committee will focus on the following issues:

- a) Actuarial Valuations
- b) Uniform way of presenting the income split between shareholders and policyholders
- c) Premium Income
- d) Property Revaluation and Gains

#### **a) Financial Stability Bonds**

RBZ was advised that the classification of these bonds is a real challenge given that the quantum that each bank holds affects the balance sheet and its profitability position. Ideally, this instrument should be valued by looking at the discount rate of similar instruments, however, there are no similar instruments, which can be used as a benchmark. The RBZ was advised that this paper should be impaired, however, it is difficult to get a discount rate which means the market may not know the full implications of this paper on the Banks. Further this paper is difficult to separate on a year-by-year basis as the fundamentals driving the rate are not clear and are highly subjective. The subcommittee is creating an accounting model for financial risk.

#### **Limited Liability Partnership Bill, 2001**

The Bill is still with Parliament Review Committee, they advised that the Bill did not go through to Parliament and that the reasons for the delay are confidential.

#### **International Financial Reporting Standard for Small and Medium-Sized Entities**

International Accounting Standards Board plans to issue the issue a final IFRS for SMEs in the second half of 2008 and the aim for developing this financial reporting standard is to:

- Provide a simplified, self-contained set of standards that are appropriate for smaller, non-listed companies but still based on full IFRSs, with modifications based on user needs and cost-benefit considerations.
- Remove choices for accounting treatment, eliminate topics that are not generally relevant to SMEs, and simplify recognition and measurement – thereby allowing the Board to shrink the guidance by over 85% compared to full IFRSs
- Enable investors, lenders, and others to compare SMEs' financial performance, financial condition, and cash flows while, at the same time, reducing the burden of preparing SME financial statements.
- Provide emerging economies with an internationally recognised

basis for financial reporting, helping to significantly raise standards in many countries whilst offering a clear upgrade path to full IFRS compliance

- Ensure that the IFRS for SMEs results in general purpose financial statements on which an auditor can give an opinion as to fair presentation (or true and fair view) of financial position, performance, and cash flows.
- Redraft and simplify the language using plain English where possible to help SMEs in preparing their financial reports.
- Develop a standard that will be suitable for, and easily applied by, even the smallest of SMEs – the so-called ‘micro-sized’ entities with just a few employees.

Members are to comment before 1 October 2007. The Institute’s comments will be communicated to IASB through ECSAFA as mentioned earlier in this report.

## CPD

The attendance to CPD seminars organised by the Institute continues to improve with members benefiting tremendously as indicated on the evaluation forms that they fill in after every seminar. The Secretariat has already logged on members’ hours for the first half-year seminars organised by ICAZ for all members who attended.

In January 2007, members were reminded that CPD became compulsory from the 1st of January

2004 and the first 3-year period ended on 31 December 2006. Most members did not meet the 120 hours CPD requirement over the three-year period and the CPD Committee will send warning letters to all members who were in default during that period. Members who fail to maintain and develop their professional competence are in violation of a significant professional duty that justifies disciplinary action according to International Education Standard 7 adopted by ICAZ.

Hours obtained in the 2004-2006 period do not accrue to the 2007-2009 period; this is a new period and members should obtain the 120 hours for this period. Members should also note that a minimum of 20 verifiable hours per annum is required with a minimum of 120 hours over three years.

## Forthcoming CPD (August – November 2007)

Harare	Bulawayo	Topic
21 August	24 August	Practical Application of IAS 29
11 September	21 September	IFRS 3 – Business combinations.
11 October	19 October	Professional ethics in the current economic environment
6 November	16 November	IAS 17 – Leases combined with IAS 40 Investment Property.

## ZIMBABWE CERTIFICATE IN THEORY OF ACCOUNTING

### Registrations

286 students were registered for ZCTA in 2006. Students whose degrees were more than three years old or who had attempted ZCTA 3 times were not enrolled but were asked to register for the Diploma in Accounting Science.

### Study School

Study school was held during weekends through out the year and a four-day study school was held in September in both Harare and Bulawayo.

### Compulsory Assignment

Students were required to complete a compulsory assignment as an admission requirement to the final examinations.

### Tests

Four tests were written throughout the year as part of the coursework

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for the ZCTA programme. The tests contributed 20% to the students final year mark. Unlike in the past years when test marks were only considered if they were beneficial to the student's final mark, in 2006 the tests were considered as part of the coursework.

### Examinations

The ZCTA examinations were written in October 2006.

### Attendance

Of the 286 registered students, 266 wrote the examinations.

### Supplementary Examinations

The 2006 supplementary examinations were written in January 2007.

### Results

2006 saw a marked decrease in the ZCTA pass rate compared to 2005. 266 students wrote the examination and 38 % passed.

### Comparison with previous years

Year	% Pass
2003	39
2004	48
2005	57
2006	38

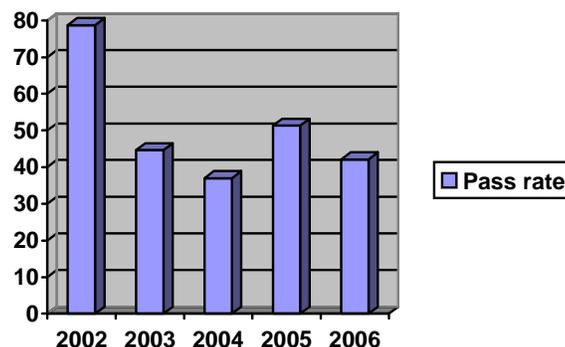
Statistics on examination results indicate that the chances of passing significantly decline after attempting two times.

## Analysis By University

### 2006 Results Analysis Per Entry University

University	Total Registered	Passes	% Pass
Africa	13	0	0
Edith Cowan	1	0	0
Fort hare	1	0	0
MSU	26	5	19
NUST	53	23	43
Queensland University	1	0	0
Rhodes	5	1	20
Solusi	9	0	0
UCT	2	1	50
UNISA	91	42	46
UZ	83	28	34
Wolverhampton	1	0	0
	<b>286</b>	<b>100</b>	

Year	2002	2003	2004	2005	2006
% Pass Rate	78.7	44.6	37	51.3	42.1



Two hundred and one candidates sat for the Part I examination in March 2007.

## QUALIFYING EXAMINATIONS

### Bridging Course

The bridging course is aimed at bridging the gap between the Zimbabwe Certificate in Theory of Accounting programme and Part I examinations. The APT representative in Zimbabwe administers the course through ICAZ. Although it is not compulsory for students to do the course, all students intending to take the Part I examination are encouraged to participate in the bridging course. A study programme has been put in place for the course with the course material being provided by Cape Town Board Course (APT).

### Part I Qualifying Examination

The pass rate for Part I examinations for the past five years has been as follows:

### Post Graduate Auditing/ Financial Management Courses

A pass in either the Diploma in Auditing or Financial Management depending on the route the student will have taken, before writing Part II is now mandatory for candidates wishing to register for PPE or QE II. Students have to participate, write and pass the tests for the diploma courses. Course material and study programmes for Accounting Professional Training and RAU are provided by ICAZ. Like the bridging course, the APT representative in Zimbabwe administers this course through ICAZ.

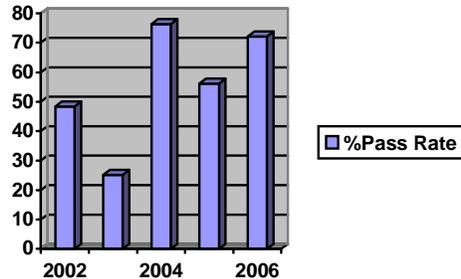
### Part II Examination (PPE - Auditing) November

From 2006, the structure of the TIPP examination has been changed in that the paper was split into two sessions written the same day, with thirty minutes allocated for the students to read through the scenarios at the beginning of each session; after which the "required"

questions are handed out after thirty minutes.

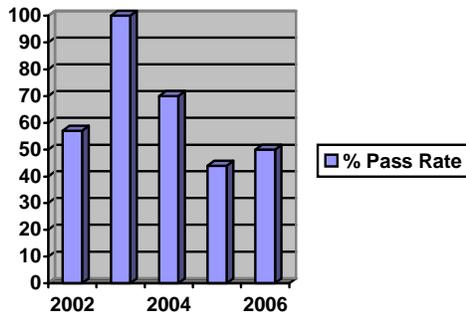
Results for PPE for the past five years have been as follows:

YEAR	2002	2003	2004	2005	2006
% Pass Rate	48.4	25.2	76.4	56.2	72.2



Results for Part II (Financial Management) for the past five years have been as follows:

YEAR	2002	2003	2004	2005	2006
% Pass Rate	57	100	70	44	50



## APPRECIATION

My grateful thanks go to all the member volunteers in district societies, in the various committees, in the Presidency and Council without whose support and contribution the Institute would not function. Special appreciation and mention has to be made of the members of the Presidency who put in more effort than is normally expected during the post balance sheet period when the Institute ran without a CEO.

I also extend appreciation and thanks to the staff of the Institute for their commitment to the Institute and the work they did during the year.

**S. MABHEJU**  
**CHIEF EXECUTIVE OFFICER**

## Statement of Responsibility By Council

Council is responsible for the preparation and fair statement of the Financial Statements and the accuracy of the accompanying information contained in this report.

Council sets the Institute's policy and strategy and the Secretariat implements the policy, strategy accounting and information systems, as well as the systems of internal control. The internal financial controls provide a reasonable, but not absolute assurance that assets are safeguarded, the risk of error, fraud or loss is reduced in a cost-effective manner and that transactions are executed and recorded in accordance with the Institute's policies and procedures. The controls include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

Based on the above, to the best of their knowledge and belief, Council is satisfied that no material breakdown in the operation of the systems of internal control and procedures occurred during the course of the reporting year.

The external auditors are responsible for expressing an opinion on the financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards. The financial statements are based on appropriate accounting policies that are consistently applied and supported by

reasonable and prudent judgement and estimates.

Council believes that the Institute is a going concern and continues to adopt the going concern basis in the preparation of the Institute's financial statements.

The financial statements were approved by Council on 22 June 2007 and are signed on Council's behalf by:



**V. L. NDLOVU**  
**PRESIDENT**

**T. GUMBO**  
**SENIOR VICE PRESIDENT**

## Enterprise Governance Statement

Council, in the strategy being developed strives to attain a high level of conformance (through appropriate corporate governance structures) and also a high level of performance through the executive management. This approach encompasses the Institute's entire accountability framework, which includes corporate governance (*conformance*) on the one hand, and business governance or performance management (with emphasis on strategy and forward direction) (*performance*) on the other.

- **Corporate Governance**

The Institute is incorporated by The Accountants Act and Council is committed that the Institute complies with the best corporate practices. All Council members are independent of the Institute and currently Council is committing itself to establishing a good governance framework that is strategy and value creation focused.

Council meets every month and is responsible for the management of the affairs and businesses of the Institute. It is responsible for the establishment of Institute policy, strategy, operating and budget plans. The Presidium, whose members are all members of Council assists the Secretariat in the running of the Institute at a closer range.

Council makes decisions for the benefit of the Institute and exercises objectivity in so doing. Currently Council has 20 members,

12 of whom are in practising firms and 8 outside practising firms.

- **Business Governance**

The Institute's business governance or performance management is the responsibility of the Secretariat. The Secretariat is expected to use various business governance processes to create value to the Institute's members and stakeholders through resource utilisation.

This means the Secretariat has to have adequate resources at its disposal to achieve the required/expected level of performance.

The whole process, once fully implemented through Council and the Secretariat working together should take the format shown below, which embraces the full functionality of our profession i.e. governance and competent management which creates value.



## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ZIMBABWE

We have audited the inflation adjusted financial statements of the Institute of Chartered Accountants of Zimbabwe set out on pages 28 to 35 for the year ended 31 December 2006.

### Respective responsibilities

The Institute's Council Members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

The historical cost financial statements are presented for information purposes only.

## **Audit opinion**

In our opinion, the inflation adjusted financial statements present fairly, in all material respects, the financial position of the Institute as at 31 December 2006, and of its financial results and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Ernst & Young**

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**CHARTERED ACCOUNTANTS (ZIMBABWE)**

HARARE  
22 June 2007

**1. GENERAL INFORMATION**

The Institute of Chartered Accountants of Zimbabwe (ICAZ) or (the Institute) is incorporated under the Chartered Accountants Act (Chapter 27:02) and its principal place of business is number 2 Bath Road, Belgravia, Harare. Its main objectives are to serve the interests of its members, students, society at large and promote the Chartered Accountancy qualification in Zimbabwe while upholding the international recognition of ICAZ.

**2. ACCOUNTING POLICIES**

**2.1 Accounting Convention**

The financial statements are based on the accounting records that are maintained under the historical cost convention. Appropriate adjustments and reclassifications including restatement for changes in the general purchasing power of the Zimbabwe dollar for purposes of fair presentation in accordance with International Accounting Standard 29 (IAS 29) "Financial Reporting in Hyperinflationary Economies" as described below. In terms of International Financial Reporting Standards, the inflation adjusted financial statements constitute the primary financial statements whilst the historical cost financial statements have been provided as supplementary information.

**2.2 Basis of Preparation**

**2.2.1 Hyperinflation Reporting**

The financial statements are based on the historical cost convention and restated to take account of the effects of inflation in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" as described below.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and the corresponding figures for the previous year be restated in the same terms. The restatement has been calculated by means of conversion factors derived from the Consumer Price Index prepared by the Zimbabwe Central Statistical Office. The indices and conversions factors used to restate the accompanying financial statements at 31 December 2006 are as follows:

<b>Dates</b>	<b>Indices</b>	<b>Conversion</b>	<b>% of Yearly Movement</b>
31 December 06	665,774.10	1.0000	1280.1
31 December 05	48,205.60	13.8111	585.8
31 December 04	7,028.70	94.7222	132.8

The main procedures applied for the restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for the previous year are restated in the same terms.

- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money and items to be recovered or paid in money.
- Non-monetary assets and liabilities that are carried at amounts current at the balance sheet date are restated by applying the relevant conversion factors.
- Comparative financial statements are restated by using general inflation indices in terms of the measuring unit current at the latest balance sheet date.
- All items in the income and expenditure account are restated by applying the relevant monthly, yearly average or year-end conversion factors.
- The effect of the net monetary position is included in the income and expenditure account as a monetary gain or loss.

#### 2.2.2 Judgements, Estimates and Assumptions

The preparation of financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates made by management.

The estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### 2.3 Property and Equipment

The Institute adopted the cost model for valuing its property and equipment. All property and equipment are therefore, measured at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their estimated useful lives as follows:

Buildings	2.5%
Furniture and equipment	10%
Computers and printing equipment	20%
Motor vehicles	20%

The residual values and estimated useful lives are reviewed at each financial year-end and where the residual value exceeds the carrying amount, no depreciation is charged.

**2.4 Inventories**

Inventories are valued at the lower of weighed average cost and net realisable value.

**2.5 Accounts Receivable**

Accounts receivable are stated at cost less appropriate provisions for irrecoverable amounts.

**2.6 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank balances and investments in money market instruments representing short- term, highly liquid investments that are readily convertible to known amounts of cash.

**2.7 Revenue Recognition**

**2.7.1 Subscriptions**

Subscriptions are recognised in the financial year to which they relate. Subscriptions not paid at the end of the financial year are not accrued because, in terms of the Institute's by- laws, membership lapses once they remain unpaid for six months from the beginning of the financial year.

**2.7.2 Education Programmes**

Net income, comprising student fees less expenses incurred, is recognised at the completion of the academic year to which it relates. Accordingly, at the balance sheet date, fees received net of expenses incurred, in respect of the current academic year are included in current assets or current liabilities.

**2.7.3 Interest**

Interest is brought to account on an accruals basis.

**2.8 Operating Leases**

Operating lease costs are charged to the income statement on a straight-line basis.

**2.9 Foreign Currency**

Transactions in foreign currency are recorded at the rate of exchange ruling at the transaction date. Monetary amounts and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are recognised in the income and expenditure account.

**2.10 Pension and Retirement Plans**

Retirement benefits are provided for eligible employees through an independently administered defined contribution pension fund and the National Social Security Authority. Contributions are charged to the income and expenditure account as they fall due.

**2.11 Currency**

The Institute's financial statements are expressed in the currency of Zimbabwe which is the presentation and functional currency. The Zimbabwe dollar was revalued on 01 August 2006 as stipulated in Statutory Instrument 199 of 2006. The financial statements are stated in the revalued currency. Comparative information has also been stated in the revalued currency.

## STANDING COMMITTEES

### **Public Relations Committee**

T Moyo  
S. Gwanzura  
DJ Scott  
G Langlois  
C Malunga  
P Matinha  
C Mtasa

### **Education Committee**

SK Turk  
CB Thorn  
E Chisango  
G Cheater  
W Mupanguri  
R Chimanihire  
A Mubaiwa  
B Muller  
C Muzondo

### **Tax And Other Legislation Committee**

EW Bloch  
T Rwodzi  
NV Forsgate  
P Cawood  
P Ndlovu  
S Matoushaya  
KC Harvey  
G Shiri  
B Ndachena  
S Godfrey  
M Chipunza  
J Chibwe  
A Makamure  
N Frost

### **Accounting Procedures Committee**

B Njikizana  
I Fallon  
B Matamba  
CM Ruzengwe  
G Cheater  
H Des Fontaine  
N Frost  
S Ndlovu  
J Tapambwa  
A Chiremba  
J Jonga  
M Moyo  
D Marange  
B Nyajeka  
G Zvaravanhu  
N Mudzamiri  
R Franklin  
WLC Anderson

### **Auditing And Professional Standards Committee**

**E Chisango**  
L Parson  
C Kazembe  
B Matamba  
R Dean  
M Mubvumbi  
D Marange  
T Pollock  
P Mithal  
P Ndlovu  
R Chimanihire  
T Chikohora  
T Chimanihire  
CM Ruzengwe  
F Taruwinga  
P Gwatidzo

## **OTHER APPOINTMENTS**

### **Continuing Professional Development**

G Cheater, S Mabheju, C Kazembe, N Mkwanzani, NPS Zhou, R Chimanikire.

### **Practice Review**

P Whata, WLC Anderson, ED Bennett, C Kazembe, G Sabarauta, T Sibanda

### **Presidential Advisory**

CB Thorn, EW Bloch, DS Gwande, MT Kunaka, DJ Scott

### **Investigations**

S Hammond, N Kudenga, F Kembo, P Bailey, B Ndebele, T Hooley, P Gwatidzo, MA Harvey, G Neely, G Stephens, DJ Scott, W Muchingami, W Zvireva, I Fallon, MT Kunaka.

### **Graduate Schools of Management**

C Malunga, S Gwanzura, T Moyo, G Langlois, MJR Dube

### **Mining Affairs Board**

MJR Dube, T Rwodzi, B Galloway

### **NAMACO & Zimbabwe Manpower Development Fund**

MT Kunaka, Legal Officer-ICAZ

### **SAA**

B Matamba, Legal Officer-ICAZ

### **Gambling Board**

T Gumbo, S Mabheju

### **Professional Indemnity Association**

VL Ndlovu, T Gumbo, NPS Zhou, ES Mangoma, G Sabarauta & AON Zimbabwe (Pvt) Ltd (2 representatives)

### **Estate Administrators Council**

AM Gwaradzimba

### **Student Society Reps**

NPS Zhou, S Gwanzura

### **ECSAFA Representatives**

T Gumbo, S Mabheju

## PAST PRESIDENTS OF ICAZ

	Presidential Year Beginning
P F Derry	1919
F A Collins	1920
R H Everett	1921
R R Olver	1922
A C Raymer	1923
T J Rooney	1924
T J Rooney	1925
R Olver	1926
F A Collins	1927
F A Collins	1928
C J MacNaughtan	1929
R R Olver	1930
W M Brown	1931
F Rixon	1932
C R Musto	1933
A Keay	1934
T E Speight	1935
E P Vernall	1936
E P Vernall	1937
W V Brown	1938
C J MacNaughtan	1939
P F Derry	1940
W E Scott-Russell	1941
F A Collins	1942
C R Causton	1943
R Williamson	1944
T B Rouse	1945
W J Underwood	1946
W J Underwood	1947
C R Causton	1948
H V Fraser	1949
A Underwood	1950
C R Musto	1951
A J L Lewis	1952
K M Lewis	1953
C R Causton	1954
H B Hone	1955
H B Hone	1956
S G Harsant	1958
L A W Hawkins	1959
B W S O' Connell	1960

	Presidential Year Beginning
A G H Walker	1961
R G Wurth	1962
C F Buckland	1963
A Underwood	1964
W A Duff	1965
A Underwood	1965
A J S Bosworth	1966
A J L Lewis	1967
M B Davies	1968
C J Voss	1969
B L Sedgewick	1970
R J Hedley	1971
J F Irvine	1972
C L Reed	1973
E E Skeet	1974
E R Bradford	1975
E E Skeet	1975
C M W Mackay	1976
J A Appleby	1977
J W Morley	1978
J C Roome	1979
D J M Vincent	1980
P J Barnacle	1981
T A Taylor	1982
P L Bailey	1983
J A Atkinson	1984
P Walters	1985
D J M Vincent	1986
M D Frudd	1987
N Kudenga	1988
P W Fearnhead	1989
E S Mangoma	1990
T G Hooley	1991
G Gomwe	1992
P Turner	1993
M R Willis	1994
D Benecke	1995
B Ndebele	1996
S J Hammond	1997
N Nyandoro	1998
M J-R Dube	1999
C B Thorn	2000

	<b>Presidential Year Beginning</b>	
J A Mushore	2001	
D J Scott	2002	
M T Kunaka	2003	
E W Bloch	2004	
DS Gwande	2005	
VL Ndlovu	2006	