



**CODE OF ETHICS AND OTHER  
PROFESSIONAL CONDUCT  
REQUIREMENTS FOR  
PROFESSIONAL ACCOUNTANTS AND  
AUDITORS**

*This article has been published for the members of the Institute of Chartered Accountants of Zimbabwe and other interested stakeholders as an informational on the Code of Ethics and other professional conduct requirements for Professional Accountants and Auditors. Members are encouraged to refer to the original source documents as indicated for more information.*

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## **PREAMBLE**

This paper serves to communicate the Code of Ethics and other Professional Conduct Requirements that should be adhered to by ICAZ members and other professional accountants and auditors.

## **PAAB CODE OF ETHICS**

The Public Accountants and Auditors Board (PAAB) is the statutory regulatory and oversight body for the accountancy profession in Zimbabwe. It has the mandate of adopting, adapting and developing accounting standards in Zimbabwe. The PAAB has adopted the International Ethics Standard Board for Accountants (IESBA) code of ethics (hereinafter referred to as the code) to guide its members. The adoption was done through Statutory Instrument (SI) 41 of 2019. The Code has been adopted as is, without any adjustments or alterations. Therefore, any reference to the CPC in PAAB terms refers to the CPC as issued by IESBA i.e. the IESBA Code of Ethics.

## **ICAZ CODE OF ETHICS**

The Institute of Chartered Accountants has also adopted the IESBA Code of Ethics (The Code) to govern its members. ICAZ adopted the code without any adjustments. See link to the code below:

<https://www.dropbox.com/sh/254m5nnhv1l2ald/AABrd1sAJS9XtCEDXy2Qulk2a?dl=0>

## **NATIONAL CODE ON CORPORATE GOVERNANCE ZIMBABWE**

The National Code of Corporate Governance Zimbabwe (Zimcode) was introduced in April 2015 with the aim of reducing corporate failures due to poor governance practises. Rather than dealing explicitly with professional accountants, the code addresses all facets of a business entity including separation of ownership and control, the board of directors, information management and corporate conflict prevention and resolution. There are however aspects that are included in the Zimcode that are relevant to professional accountants and auditors.

Zimcode is yet to be gazetted as law. However, it is important to note that with respect to public entities, the Public Entities Corporate Governance Act (Chapter 10:31) which came into effect through Statutory Instrument 89 of 2018 on the 8<sup>th</sup> of June 2018 stipulated that the conditions of Zimcode are applicable to all public entities since the said date. The new companies act also makes reference to Zimcode.

Follow the links below for the Zimcode and the Public Entities Corporate Governance Act:

Zimcode – <http://zimcode.net/Governance-code>

Public Entities Corporate Governance Act –

[http://www.veritaszim.net/sites/veritas\\_d/files/PUBLIC%20ENTITIES%20CORPORATE%20GOVERNANCE%20ACT\\_0.pdf](http://www.veritaszim.net/sites/veritas_d/files/PUBLIC%20ENTITIES%20CORPORATE%20GOVERNANCE%20ACT_0.pdf)

## **ZIMCODE AND PROFESSIONAL ACCOUNTANTS**

Generally, accountants hold influential positions in most entities, ranging from being members of the board, company secretaries as well as Chief Executive Officers. Therefore, there is a need for all professional accountants to be conversant with the requirements of the code in all aspects of running a business.

### **Board members**

In particular, senior accountants that sit on the board of directors should provide effective corporate and entrepreneurial leadership rooted in ethics, professionalism and good morality.

The Zimcode, in Section 79, highlights that a key competence that should be included in the board is accounting or financial expertise and as such professional accountants appointed into board of director positions should be mature and have integrity, good character high credibility, probity, assiduousness and possess accounting related knowledge. Professional accountants appointed in boards should also be up to date with their tax obligations and have an appetite for knowledge and self-improvement.

### **Auditors**

The Zimcode highlights the following expectations from auditors:

Internal Auditors:

Section 252 highlights that the internal audit function should

- a) Annually conduct a formal and documented review of the design, implementation and effectiveness of internal financial controls
- b) Provide independent assurance on the integrity and robustness of the risk management processes and a written assessment of the effectiveness of the system of internal controls and risk management
- c) Evaluate governance processes including ethics and setting the right tone at the top
- d) Assure the Board that the combined assurance model is coordinated to best optimise costs avoid duplication and prevent an assurance overload
- e) Report to the audit committee on how management has or will repair deficiencies in the system of governance and the risk control framework

External Auditors:

Section 253 of the ZIMCODE highlights that external auditors should:

- a) Liaise with internal audit and risk management committees on the scope and extent of coverage of their audit and
- b) Report on material weaknesses in financial control and finance management systems whether from design implementation or execution perspectives that result in actual material financial loss fraud or material misstatements.

## **THE COMPANIES AND OTHER BUSINESS ENTITIES ACT [24:31]**

The Companies and Other Business Entities Act [24:31] (the new Companies Act) came into effect on the 13<sup>th</sup> of February 2020, replacing the Companies Act [24:03]. The New Companies Act borrows heavily from the Zimcode on issues to do with Corporate Governance and thus ensures that key corporate governance practices are made compulsory rather than the comply and explain stance taken by the code. This ensures that accountability and transparency are maintained in running business entities and adequate penalties are instituted for non-compliance with good corporate governance.

Notable changes include:

- The Act puts into law the fiduciary duties expected from office bearers (directors /managers) of all companies. These include acting in good faith and in the best interest of the company and with the care, skill, and attention that a diligent business person would exercise in the same circumstances. This is in line with the requirements of Section 57 and 59 of the Zimcode which require the Board to act in the best interest of the company.
- Section 206 of the new act highlights that a public company shall have at least 3 non-executive/ independent directors in the board. This ensures that the board is evenly balanced as required by the Zimcode.
- The Zimcode through section 98 highlighted that Board members should not serve on more than six boards at the same time. This has been codified by the new companies act through section 195(9) which prohibits individuals sitting in a public company's board to sit on more than six boards. Contravention of this section results in a civil penalty being charged on the director.
- The Zimcode highlights the importance of the company secretary because he/she is the gatekeeper of good corporate governance. The new companies act makes it mandatory for all companies to appoint at least one company secretary.
- Section 215 of the new companies' act highlights that the company should disclose, in the accounts, any emoluments paid to directors. This is also in line with the requirements of the Zimcode section 292.

Other changes included in the new Companies Act which have an impact on corporate governance include the requirement to disclose loans and guarantees (section 216) and the requirements to disclose any conflict of interest (Section 57).

## **COMPANIES AND OTHER BUSINESS ENTITIES ACT [24:31] AND PROFESSIONAL ACCOUNTANTS**

The new companies act highlights a number of expectations that professional accountants should abide by. These include;

Adhering to the provisions of the Public Accountants and Auditors Act [*Chapter 27:12*] and of generally accepted accounting practise in terms of appointment, qualifications, independence and work of the auditor.

The Act also highlights that a professional accountant can only serve as an auditor of a company for 5 consecutive years after which he/she must take a break of at least 2 years.

#### **UPCOMING CPD**

Furthermore, professional guidance in the form of a CPD session will be provided in May 2021, where changes and relevance of the New Companies Act to professional accountants as well as the interpretation and application of the National Code on Corporate Governance Zimbabwe will be discussed. The session will elaborate the issues above and other broader issues relevant to accountants and auditors. Further discussion will be held on the applicability of the various legislations to boards and other stakeholders.

For more information on this and related matters, kindly contact the ICAZ Technical Manager, Owen Mavengere, on email, [owenm@icaz.org.zw](mailto:owenm@icaz.org.zw) or [technical@icaz.org.zw](mailto:technical@icaz.org.zw)