

Paper No. 5

COUNCIL'S REPORT TO THE AGM

7th Annual General Meeting – 20 September 2019

This report of Council is being submitted to members of the Institute of Chartered Accountants in Malawi (ICAM). The report covers the major activities undertaken by the Institute since the last Annual General Meeting (AGM) which took place on 21 September 2018.

1. ENGAGEMENT WITH STAKEHOLDERS

1.1 WITH STUDENTS AND MEMBERS

The students and members are the key stakeholders of the Institute. During the year under review, the Institute engaged these stakeholders as follows:

1.1.1 Students

The Secretariat had a number of meetings with students pertaining to improving pass rates in ICAM exams. The tutors, examiners, assessors, markers, moderators, parents and employers also participated in these meetings. A number of suggestions were made during these consultative meetings which are under consideration by the Council and they include, introducing aptitude tests for CIFA and Technician Diploma students, making tuition mandatory for Level 2 students (for the project which is supported by the Institute of Chartered Accountants in England and Wales) subject to obtaining a legal opinion on the issue of rights for the students, introducing quarterly examinations, the need for tutors to possess a certificate in university education.

1.1.2 Members

The Members were continuously engaged throughout the year. Continued Professional Development Program (CPD) were organised. A new product – Auditors Forum – was introduced and well patronized. There was increase email correspondence between the Secretariat and the Members. The Members also participated in the **SurveyMonkey** which was aimed at establishing the main reasons why not many Members participate in Council nominations.

1.2 WITH THE CHIEF SECRETARY

1.2.1 AUDITOR GENERAL

The position of Auditor General fell vacant in 2018. An Acting Auditor General was appointed and as per section 5 (b) of the Public Audit Act of 2018, the acting period is for 6 months only. This means that a new Auditor General should have been recruited by January 2019. However, an Auditor General Designate was appointed in June 2019 and Parliament is yet to confirm his appointment.

The Institute is saddened with the above development and it communicated to the Chief Secretary to Government the implications of having the Office of Auditor General being vacant.

1.2.2 ACCOUNTANT GENERAL

A new Accountant General was appointed in April 2019. At the time of appointment, the Accountant General was not a member of ICAM. The Institute offered guidance to the Chief Secretary to Government on the criteria which should be considered when appointing an Accountant General.

1.3 MINISTRY OF FINANCE

The Institute continued to make commentary on the national budget and tax policies. The Institute is also an active member of the Technical Committee on International Public Sector Accounting Standards (IPSAS). The Committee is spearheaded by the Accountant General.

1.4 DONOR COMMUNITY AND EMBASSIES

The Institute had engagements with the donor community and embassies and these included EU, GIZ, American Embassy and UNICEF. The students' debate program co-sponsored with the EU was born as a result of the engagements with these stakeholders.

A donor round table conference was held at Capital Hotel in October 2018. The main aim of the Conference was to explore ways of strengthening the accountancy profession in Malawi.

1.5 PAFA

The Pan African Federation of Accountants (PAFA) continued with its capacity building program for the Professional Accountancy Organisations (PAOs). The Institute participated in the Technical Standards and Chief Executive Officers fora.

1.6 IFAC

ICAM is a member of the International Federation of Accountants (IFAC). ICAM participated in the IFAC activities including Council meetings.

1.7 REGIONAL MULTIDISCIPLINARY CENTRE OF EXCELLENCE

The Regional Multidisciplinary Centre of Excellence based in Mauritius was the Secretariat for the Technical Committee that was negotiating the Mutual Recognition Agreement (MRA) for Accelerated Programme for Economic Integration (APEI) countries of Seychelles, Mauritius, Mozambique, Zambia and Malawi. As a result of the negotiations, the MRA was signed in Zambia in February 2019. The MRA allows movement of auditors and accountants within the APEI countries.

The Technical Committee was discharged upon signing of the MRA. It was replaced by APEI Professional Accountants and Auditors Committee (APAAC). Zambia Institute of Chartered Accountants (ZICA) was elected Chairperson of APAAC. ICAM is the Secretariat.

1.8 ICAEW AND ICAM PROJECT TO IMPROVE PASS RATES AT LEVEL 2 OF THE ICAM CHARTERD ACCOUNTANT QUALIFICATION

The pass rates in ICAM exams have not been encouraging. At Level 2, the pass rates were below 10%. In order to arrest this situation, the Institute of Chartered Accountants in England and Wales (ICAEW) and ICAM implemented a project which had a number of interventions aimed at increasing the pass rates to at least 40%. The project was for period of 6 months ie from February to July 2019.

An end of project evaluation will be carried out by 30 September 2019. The Institute has already written ICAEW requesting for an extension of the project up to December 2019.

2. STRATEGIC PLAN

The Strategic Plan is being implemented over a period of 5 years. The Institute has now entered into the third year of implementation. The plan focusses on 4 areas and these are i) Achieving financial sustainability, (ii) satisfying and delighting stakeholders, (iii) improving internal business processes and (iv) organisational and learning.

To date, the following milestones have been achieved:

	PILLAR	MILESTONE
a)	Achieving financial sustainability	<p>In order to expand the resource base, a number of project proposals were written. Two of them were funded – Improving pass rates and Debates for colleges.</p> <p>A diversification plan was approved. Management is working on an implementation plan. The plan includes introduction of diploma programs in, Public Financial Management and Finance for Non-Finance Managers, introduction of top up papers for accountants who studied with other professional bodies but do not meet the requirements set by Malawi Accountants Board (MAB)</p>
b)	Satisfying and delighting stakeholders	<p>An on-line booking system was introduced at the 2018 Lakeshore Conference.</p> <p>The Council approved two new classes of membership and these were Affiliates and Graduates (for degree holders). The Secretariat is now discussing with MAB so that these are recognised by the law.</p>

c)	Improving internal processes	<p>A functional review of the Secretariat was conducted by the Department of Human Resources Management and Development and the report was approved by the Council in December 2018.</p> <p>A new integrated information system was procured at the beginning of 2019. Installation and user training were in progress. The system would be up and running in the third quarter of 2019.</p> <p>Some of the Technical Committees were merged. The functions of International and Public Relations Committee's functions were transferred to management.</p>
d)	Organisational and learning	<p>The Practical Work Experience procedures were finalised. A roll out plan to target employers with training programs is being worked on.</p> <p>New CPD products were introduced and these included Professional Women's Conference, CFOs conference, IFRS 9 training for banks and IFRS refresher course. CPD returns can now be completed on-line and annual subscription fees invoices can also be downloaded from the members' portal.</p>

The strategy was due for review in 2019, however, due to cash flow constraints, it was not possible to carry out a review. The costs of the review will be factored in the 2020 budget.

3. MANDALA PROJECT

The project is about construction of a 3 – Units building on plot number BE 31, in Mandala along the Masauko Chipembere Highway. Each Unit will be built in phases.

The phase 1 of the Mandala Project with floor space of 1,220 sqm comprise offices for the Secretariat will be ready for occupation by 30 September 2019. This is a 3 – story building and will be occupied by the Secretariat. The total cost of phase 1 is USD 1,133, 326.04. Phase 1 has been funded from internally generated resources.

Phase 2 is a 3 - storey building with floor space of 360 sqm and will see construction of offices for letting out. It is estimated that Phase 2 will cost USD 284,257.33 and will take 30 weeks to complete.

Phase 3 is a 3 - storey building with floor space of 775 sqm and will see construction of offices for letting out. It will be constructed over a period of 40 weeks and will cost USD 611, 305.91.

Funding for phases 2 and 3 is not available. The Institute has approached financial institutions for funding through a Build, Operate and Transfer (BOT) arrangement. The discussions with the financial institutions are at an advanced stage.

4. ICAM FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2018

The Institute made a deficit for the year ended 31 December 2018 of K112 million (2017: K165 million surplus). The Institute made an operational deficit of K221 million (2017: K15 million surplus). The decline in performance is attributed to a reduction in the number of students attempting the Institute’s examinations.

5. CPD EVENTS

A calendar of events for Continued Professional Development (CPD) is circulated at the beginning of every year. The members are required to attend the ICAM organised seminars and trainings and complete a CPD return. However, the attendance of CPD seminars and trainings other than the Lakeshore Conference is low. Less than 20% of the membership submit annual returns.

The ICAM Disciplinary Guidelines, section 2.24 states that a member will be reprimanded if he or she does not attend CPD activities.

The Council will now be passing on details of members who do not submit returns to the Disciplinary Committee for the Committee's action.

6. DISCIPLINARY MATTERS

Through the Ethics and Investigations Committee and the Disciplinary Committee the Institute has been and is investigating a number of cases which border on unethical behaviour and unprofessional conduct. Some of these cases are near completion. One case has been concluded.

The Institute plans to issue a statement by 30 September 2019 to its members on the case that has been concluded.

7. ICAM MEMBERSHIP

A total of 2,173 members (as at 12 August 2019) had paid the 2019 fees, representing a 7% increase from 2,022 (Audited: 31 December 2018).

The numbers of paid up members per category is as follows:

Membership Category	12 th August 2019	31 st December 2018 (Audited)	% Increase/(decrease)
Practicing Resident (PR)	59	59	0%
Practicing Non Resident (PNR)	1	1	0%
Non-Practicing Resident (NPR)	806	793	2%
Non-Practicing Non Resident (NPNR)	22	20	10%
Diplomate	1,285	1,149	12%
Total	2,173	2,022	7%

The number of members has been increasing per year as follows:

Year	Members	Percentage increase
2014 (Audited)	1,020	
2015 (Audited)	1,107	9%
2016 (Audited)	1,391	26%
2017 (Audited)	1,514	9%
2018 (31 st December - Audited)	2,022	19%
2019 (12 th August 2019)	2,173	7%

The Public Accountants and Auditors Act requires that everyone who holds himself as an accountant should register with MAB through ICAM. A door to door registration campaign is underway. To date, the campaign had reached out to 1,700 accountants who are not registered. ICAM will submit a report to MAB for action on this matter.

8. REGISTER OF STUDENTS REGISTERING IN RESPECTIVE PROGRAMMES.

The number of students registering in ICAM programmes has decreased by 29% between June 2015 (1,976) and June 2019 (1,406)

It has been noted that not all students who register take exams. Management will carry out a research in this area to establish why this is the case.

DIET	CIFA	TECHNICIAN	CHARTERED ACCOUNTANT MALAWI	TOTALS	% CHANGE IN TOTAL REGISTRATIONS
JUN 2015	1166	614	196	1976	27.8
DEC 2015	837	543	91	1471	(25.6)
JUN 2016	1049	652	126	1827	24.2
DEC 2016	728	554	56	1338	(26.8)
JUN 2017	688	345	75	1108	(17.2)
DEC 2017	417	369	72	858	(22.6)
JUN 2018	657	527	359	1543	79.8
DEC 2018	311	256	115	682	(55.8)
JUN 2019	924	335	147	1406	106.2

NUMBER OF STUDENTS ON REGISTER FOR THE PAST FIVE YEARS:

DIET	CIFA	TECHNICIAN	CHARTERED ACCOUNTANT MALAWI	TOTALS	% CHANGE IN TOTAL NUMBERS ON REGISTER
JUN 2015	2,335	4,980	277	7,592	
JUN 2016	2,182	4,718	343	7,243	(4.60)
JUN 2017	1,335	3,627	420	5,382	(25.70)
JUNE 2018	1,386	3,556	811	5,753	6.89
JUNE 2019	1,506	2,945	776	5,227	(9.14)

Through the Practical Work Experience (PWE) Program, students are being attached to various organisations in order to gain work experience. The Institute invites employers to recruit ICAM students under PWE arrangements.

It has been noted that poor pass rates contribute to the decline in students' numbers. Candidates take long to complete a program. As a result, students opt for courses that offer them a qualification in the shortest period of time. The Institute is addressing this situation by among others:

- (i) Engaging the tuition providers to enable them offer quality tuition.
- (ii) Conducting consultative meetings with tutors, students, examiners, markers, assessors, moderators, parents and others. These meetings are aimed at finding common and practical solutions to resolving the poor pass rates.
- (iii) Working with Malawi Accountants Board on the maintenance of quality standards in accredited accountancy colleges
- (iv) Reviewing manuals so that they are of high quality and user friendly.
- (v) Implementing projects aimed at improving pass rates e.g. the ICAM/ICAEW project to improve pass rates.
- (vi) Awarding best performing students in all the programs.

All the above strategies are aimed at improving pass rates which will result in increased student numbers.

9. STUDENTS DEBATES

The Institute of Chartered Accountants in Malawi (ICAM) implemented a students' debate project during the period February 2019 to May 2019. The project was jointly funded by the EU and ICAM.

The objectives of the debate as per the framework agreed upon with the EU were as follows:

- To enhance public speaking skills in students pursuing accountancy.
- To promote the ability to reason and argue among students.
- To transform the attitude of students pursuing accountancy to start believing in that their profession also demands soft skills on top of technical competencies.
- To attract more students to register for accounting courses.

PACT College won the debate and received a cash prize of MK700, 000. Malawi College of Accountancy, Mzuzu Campus went away with MK300, 000 for being runners – up.

The students’ debates will be an annual event.

10. SUPPORT TOWARDS FLOOD VICTIMS

As a profession that serves in the public interest we profess the Ubuntu philosophy that ‘I am because you are.’ When our fellow country men and women were affected by floods, we could not just stand by and watch, we realised that we have to be the solution to the challenges they had faced. We have the belief and conviction that one would not have lived until one has done something for someone who can never repay and will not be expected to repay. In that regard, therefore, accountants in the country, through their professional body the Institute of Chartered Accountants in Malawi (ICAM) contributed funds from their pockets to help victims of the floods.

The total value of the donation was MK1, 815,000. A cheque was cut and presented to the Department of Disaster and Management Affairs (DoDMA).

11. CORPORATE SOCIAL RESPONSIBILITY

ICAM donated desks to Lufita Primary School in Chitipa on 19 August 2019. The total value of the desks was MK 1,230,000.

Next year, ICAM moves to the central region with its corporate social responsibility program.

Bwighane Joel Mwenelupembe
President
20 August 2019

PROPOSAL 5:

It is hereby proposed that the Council Report be adopted.