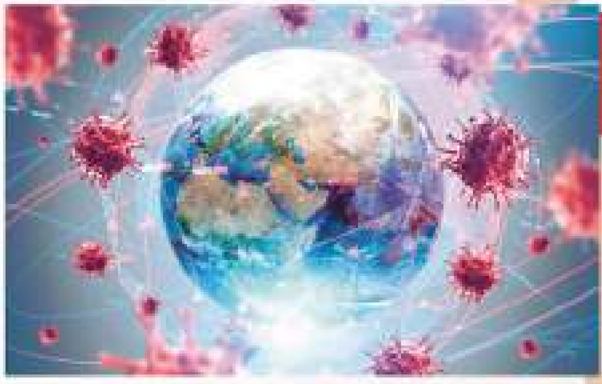

ICAM
THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI
LAKESHORE CONFERENCE EDITION
SURVIVING
COVID 19
MENACE
©
ICAM MAGAZINE

CONTNTS



Editorial

The talk of the year has been on COVID 19 – a disease like no other that rattled economies of any nation and corporate entities. There have been lots of deliberations on preventive measures as well as researching on medication. ICAM has also been caught in the web of disseminating the disastrous repercussions of the disease as well as offering professional guidance on prevention. But that could not be enough. It was imperative that the financial impact of the disease be deliberated on at great length hence the ICAM lakeshore conference addressing that. To complement that this lakeshore conference edition of the magazine has also taken a bite of some literature pertaining to COVID 19.

Professional films took the initiative to issue risk advisory guide in the light of COVOD 19 and in this issue we share one authored by Martin Makhaya of BDO. The guide will see you driving through impact and risk response so too the top ten questions for management team.

We stretch further to look at how coronavirus could be reshaping global and local economies. That has been demystified by Mbatau wa Ngai. Albert Otieno who brings to light the impact of COVID on financial reporting standards as Jim McFie takes the challenge to provide a clear, forward-looking, long-term view of organisations' finances ad sustainability.

Amidst all this COVID challenges, still Africa remains a continent with the capacity to feed itself and the entire world all together, such is what Catherine Riungu advances in her article.

Take a seat, relax and enjoy going through progressive content that is thought provoking, challenging and insightful. Enjoy reading the entire magazine.

WEAR A MASK
STAY SAFE

EDITORIAL TEAM
PATRICK ACHITABWINO
ZION TAMULA
FRANCIS GONDWE

PRESIDENT'S PAGE

BWIGHANE JOEL MWENELUPEMBE

In a blink of an eye time flies. You accorded me the mantle to be at the driving wheel of ICAM on 21 September 2018. It was a task I accepted with great humility and honour. Two years have now passed and I have to handover the mantle to my successor at the AGM on 13 November 2020. It was great serving you and I have the optimism that I served you well.

On the onset, my presidency set out three key priority areas. These are strengthening stakeholder engagement, enhancing ethical behaviour among members and growth and sustainability of the Institute. It is absolutely right and proper that as I wave goodbye to you all, I sign off with a brief report on how such milestones have been adhered to.

STRENGTHENING STAKEHOLDER ENGAGEMENT

The Institute serves the interest of a number of stakeholders which include Government (Ministry of Finance, Malawi Accountants Board, Ministry of Education, Department of Statutory Corporation, Accountant General, Auditor General, Ministry of Trade and others), students, members, professional accountancy organisations and others.

During my presidency, I decided to focus on three stakeholders and ensured that their interests and needs were met (the strategic plan requires the institute to mesmerise these stakeholders) as follows:

GOVERNMENT

The Institute enhanced its levels of engagement with the Auditor General and Accountant General. The two officers participated in the Council and Technical Committee meetings of the Institute. Both the Auditor General and Accountant General were also very active in the International Public Sector Accounting Standards (IPSAS) Technical Working Group.

The Public Accountants and Auditors Act (2013) gives ICAM the mandate to promote issues of corporate governance in Malawi. It is for this reason that ICAM provided guidance in the appointments of the Auditor General and Accountant General. The Institute was concerned that laws, procedures and best practice were not followed when the office bearers were appointed to the two offices.

There were other matters discussed between the Secretary to the President and Cabinet and ICAM which were mutually beneficial. What remains now is the implementation of the resolutions of what was agreed upon in the meetings between the two. As I leave office on 13 November, I am very confident that my successor and the Chief Executive Officer will implement their solutions in ernest to ensure even greater cooperation and engagement.

STUDENTS

The number of students taking exams has been on the decline since 2015/2016. During my tenure of office, we put in place a number of measures which were aimed at reversing the trend. Some of the measures included suspension of exemption fees, provision of soft copies of the study manuals, offering discounts on examination fees, facilitating job placements for students, introduction of a project aimed at improving pass rates in conjunction with the Institute of Chartered Accountants in England and Wales (ICAEW), introduction of a bursary scheme for needy students (now for best performing students), and awarding best performing students. It is imperative to put matters in the right context that results for the initiatives undertaken may start to trickle in in the medium to long term.

MEMBERS

The membership of the Institute continued to grow. ICAM had a membership base of 2,022 (audited) as at 21 December 2018 which had increased to 2,292 (audited) as at 31 December 2019. It is projected that there will be 2,300 members on the ICAM register as at 31 December 2020.

ENHANCING ETHICAL BEHAVIOUR AMONGST MEMBERS

The two years that I have been at the helm of the Institute have been very involving in so far as disciplinary issues are concerned. The Council received complaints mainly concerning complicated financial transactions. We had a backlog of cases but with the technical assistance of the Ethics and Investigations Committee and the Disciplinary Committee, we concluded about 80% of the backlog cases and also cleared 60% of the new cases. I am most grateful to the two Committees for their commitment and dedication to duty. The Ethics and Investigations Committee worked after hours and over weekends in order to clear the back log. I urge the same spirit and passion of enhancing ethical behaviours among our members must continue.

GROWTH AND SUSTAINABILITY OF THE INSTITUTE

The number of active students grew from 5,690 (December 2018) to 6,169 (December 2019) though not all students took examinations. The number of students had increased for Certificate in Financial Accounting (11.4%), Technician Diploma (10.3%) and Level 3 (14%). On the other hand, the number of students who enrolled on the Level 1 Program decreased by 3.5% and those studying Level 2 shrunk by 4.4%.

The number of active members grew by 13.9% between 1 January 2018 and 31 December 2019. Significant growths were registered in the Diplomate category (24.7%) and Non – Practising Non – Resident

The number of members in the Practising Resident category grew by 3.3%. However, there was a drop of 0.9% in the Non –Practising Resident members' category.

As mentioned above, there were 2,012 members (December 2018) compared to 2,292 members (December 2019) on the ICAM register.

The financial performance of the Institute produced somehow mixed results mainly on account of declining number of students taking examinations, reduced number of members participating in CPD events and overdependence on two main streams of income ie student and member incomes. The table below presents the highlights for the financial performance (figures in thousands of Malawi Kwacha):

	MK	MK	MK	Increase/(decrease) between 2017 and
	2019	2018	2017	2019
Revenue from members	1,060,761	899,409	729,265	45%
Revenue from examinations	632,862	646,999	780,925	(19%)
Total revenue	1,693,623	1,546,408	1,510,190	12%
Surplus/(deficit) for the year	(108,561)	(112,094)	184,690	(159%)

The Mandala Project was completed and occupied on 14 December 2019. The project is part of the growth trajectory. However, the completion of the project meant that reserves were depleted and consequently, the bottom line was affected because there was no surplus cash to invest and generate investment income.

THE FINAL WORD

As I retire, I look back with pride. I am aware, that I together with my team, Council supported by the Secretariat could have achieved a lot more but one must remember that the Institute faced a number of challenges during my tenure of office notably the following:

1. Obstruction by some stakeholders to conclude disciplinary cases under the guise of "you cannot proceed with this case because the same is being tried in the high court."

2. A decline in the number of student entries taking ICAM exams. In the past two years, we lost about 50% of the entries that we had at 31 December 2017. We put in place promotions and other strategies but they did not yield the expected results. However, I must hasten to add that minus the promotions, the situation could have been worse.

3. An increased number of members who did not renew their membership annually. While as the overall number of members of ICAM continues to grow every year, it has been noted that some members do not renew their membership annually due to various reasons, the main one being unemployment. In the year 2020 alone, 533 members who were fully paid up members in 2019 did not pay subscription fees.

THE LAKESHORE CONFERENCE IS FINALLY HERE.

This is not the time to make merry, rather this is an opportunity to reflect on PRUDENT FINANCIAL MOMENT in the midst of COVID -19. What key lessons do we learn from the pandemic? And what opportunities does the current environment present? These are the questions that we must all attempt to answer.

MESSAGE FROM THE CEO

DR. FRANCIS CHINJOKA GONDWE

Welcome to the Lakeshore conference edition of the magazine. This year has been challenging in terms of hosting the conference. Dates had to shift from the usual September month to October and eventually November. The good thing is that despite all the challenging circumstances that stood on our way, the conference is finally hosted. We rose against all odds to achieve the almost impossible in the year when coronavirus disrupted almost everything.

At this conference we are also saying goodbye to our President for the past two years, Mr. Bwighane Joel Mwenelupembe. He reigned during the most challenging time and we owe great gratitude to him for steering the Institute in such a trying time.

The Institute posted a financial loss of MK109m in 2019. Recovery seemed to be on track in the first quarter of 2020 but we were not to smile for long as the venom of coronavirus paralysed almost all sectors of life. The financial performance of the Institute could not be spared as well.

The global pandemic brought in professionals a new scope of doing things. It has become necessary that accountants, auditors, business captains, academicians, senior government officials, entrepreneurs come together under the banner of ICAM to discuss pertinent issues affecting the nation. We can no longer move forward on the trajectory of success if we work individually. The starting point of recovery for the nation should therefore centre on Prudent Financial Management as a key to business resilience in the midst of COVID 19. It is not strange therefore that such is the theme for the conference.

This global pandemic strangled the economy of Malawi. The Malawi government announced the indefinite closure of schools on March 20 this year before the country registered its first three cases of COVID-19, on April 2020. Business disruptions came in resulting in a new phenomenon called 'working from home / working remotely, or working shifts.' Productivity faced a nose dive as companies were operating at half or below half of their normal capacity resulting into inadequate availability of supplies in the shops.

In worst case scenarios, some people lost jobs and some faced salary cuts In addressing the prudent way of managing finances, the conference has assembled an amazing array of top class speakers. Leading the pack is Stef du Plessis, a motivational and business speaker who helps companies improve their business results by growing their people and creating winning workplace cultures. His insights, teachings and methodologies create turning points for individuals, leaders and organisations alike. In short, Stef is a leading authority on employee engagement and workplace culture.

Supplementing the discussion will be crucial topics below:

'Developing and sustaining technical competence – a test of relevance of the accountancy profession'

'Understanding the investment market
'Raising equity and debt capital from capital markets'

'Attaining Financial Independence through Investment Groups'

'Tapping alternative sources of financing – The Malawi Stock Exchange is aged and ready'

'When things go wrong, and they will – be ready to improvise, adapt and overcome'

At the end of the conference, it is expected that delegates would have learned from each other how the companies managed the pandemic/are managing the pandemic, would have examined how companies and individuals can attain financial independence in times of a crisis, would have explored ways and strategies of how companies and individuals can improve, adapt and overcome challenges when things go wrong.

STRATEGIC REVIEW RETREAT

Reflection time. On February 1st 2020 the ICAM secretariat sat on the edge of Mulanje Mountain at Nalipiri Lodge in Mulanje reminiscencing over its strategic plan that. All departments highlighted their performance and discussed thoroughly how to sort out areas that performed below the set targets. The ICAM strategic plan runs from 2017 to 2021.

Setting the tone, ICAM CEO Dr. Francis Gondwe stressed the need for cohesion, unity and harmony in discharge of duties.
Dr. Gondwe said: "Although each department has different goals specific for the department as high lightened in the strategic plan, we need to realize that as ICAM, we have one strategy hence it is imperative that teamwork be at the heart"

The CEO further called upon his staff to celebrate our successes together and mourn our failures together'.

In ensuring that all staff members are on the same slate, each department took time to explain some of its core activities so that even staff members not belonging to the department are acquainted with the processes. ICAM has the department of finance corporate services, education and training and technical and membership services. It also has the marketing division which works in the office of the CEO.

ICAM ENGAGES UNIVERSITIES

Unique, special and different? You are exclusive material to pursue the Chartered Accountant Malawi qualification, ICAM CEO, Dr. Francis Gondwe challenged DMI University and Exploits University students.

Speaking at career talks that were held in Mangochi and Lilongwe Dr. Francis Gondwe weaved through routes that students could take to become chartered accountants. He explained entry levels in all ICAM courses with special reference to the Chartered Accountant Malawi program. At DMI in Mangochi, students urged ICAM to start courting students as early as when they are in second year.

One student gave feedback: "We need to be growing with ICAM. We have to be part of the ICAM training plan so that by the time we graduate we are already student members of ICAM." Expressing sentiments on behalf of Exploits University, Vice Chancellor Professor Goldon Msilimba praised ICAM for its outreach programs.

Msilimba said: "Exploits University is excited that ICAM has taken the initiative to visit us regularly. That reinforces the students' belief in our programs and also accords them an opportunity to examine how best they can become chartered accountants." Complementing the ICAM crew were Foster Chingayele who presented on Initial Professional Development and Patrick Achitabwino who spoke on benefits of becoming a student member of ICAM.

ICAM TRAINS PUBLIC ENTERPRISES

The Institute of Chartered Accountants in Malawi (ICAM) has been commended for offering a training specifically for public enterprises. Speaking on the sidelines of the training that was held at Linde hotel in Mponela, some delegates noted that the segmentation and targeting offered them great value.

Orphan Chisasa of Egenco stated that wholesale seminars and trainings do not address most of their information and knowledge needs.

Chisasa said: "We are operating in a different atmosphere hence by organising a tailor made training for us in public enterprises, we end up having a good chance to assess our competencies, effectiveness and efficiency."

Charles Chimpeni - ICAM

Hilarious Nampota of Malawi Enterprise Development Fund (MEDF) added: "This training accorded us an opportunity to reflect on matters that are particular to our field of work and operation. This has provided great value to us."

Speaking earlier, ICAM's Director of Technical and Membership Services Charles Chimpeni stressed that ICAM had embarked on developing tailor made trainings that are set to address specific needs of different sectors.

Chimpeni highlighted: "We have gone to the extent whereby an organisation can ask ICAM for any training of its choice. We have a wide network of local and international presenters on various subjects. Just provide us your training needs, we are ready to offer you the best tailor-made trainings."

The training was held on 30 and 31 January 2020. Among the presenters were Dr. Francis Chinjoka Gondwe, Gloria Thupi, Elwin Sichiola, Charles Chimpeni, Moffat Ngalande and Emmanuel Chokani

THE YEAR LUMUMBA DATES EXECUTIVES

Just three months ago, to be exact in September 2019, Africa's top eloquent and fearless speaker Prof. PLO Lumumba stormed the ICAM conference and swayed the crowds with his pan-africanist ideologies. The demand for Lumumba swarmed the Secretariat.

Prof. Lumumba

Adding ammunition to his presentation will be eminent corporate executives and scholars. Governor of the Reserve Bank of Malawi Dr. Dalitso Kabambe, Corruption busting chief Reyneck Matemba, political scientist Dr.

Blessing Chinsinga and High Court Judge honourable justice Fiona Mwale
The executive retreat will be held on 21st February 2020 at the Bingu International Convention Center under the theme: "Governance under the microscope: moving forward with one vision"

ICAM PAYS COUTESY CALL ON NEW MINISTER OF FINANCE

Minister of Finance:
Hon Felix Mlusu

The Institute of Chartered Accountants in Malawi (ICAM) paid the new Minister of Finance Honourable Felix Mlusu a courtesy call in a bid to strengthen the working relationship that exists between the accountancy professional body and the finance ministry. Expressing his excitement, Hon. Mlusu commended ICAM for the technical contributions it makes to the government. Hon. Mlusu said: "We value the technical input the Institute provides to my Ministry and we will surely be tapping on your expertise pertaining to finance matters. I look forward to continued engagement between Ministry of Finance and ICAM.'

ICAM continues to engage Malawi Government on a number of fronts including providing commentary on taxation measures and governance issues, providing technical expertise on International Public Sector Accounting Standards (IPSAs) and review of the Public Financial Management reforms. Recently ICAM also made its stand on the appointments of the Auditor General and Accountant General. During the meeting the ICAM President, Joel Mwenelupembe invited the Minister to preside over the official openings of

LETS CONTINUE WORKING TOGETHER, SAYS NEW SECRETARY TO TREASURY

Secretary to Treasury: Chauncy Simwaka

Secretary to Treasury Chancy Simwaka has appealed for collaboration with professionals so that Malawi prospers economically.

Speaking at a meeting held with ICAM officials Mr. Simwaka observed that professional bodies like ICAM have significant impact on policy formulation and implementation. Simwaka stressed: "We can hardly move forward in our bid to strengthen the economy of the country is we do not collaborate and look at economic developments together. ICAM has been a reliable pillar in this regard."

Leading the ICAM officials team, ICAM Vice President Phyless Kachingwe urged the Secretary to the Treasury to ensure that government complies with Section 26 of the Public Accountants and Auditors Acts which stipulates that all accountants be registered with the Malawi Accountants Board through ICAM.

Other delegates to the meeting included Acting Auditor General Mr. Rex Chiluzi then Accountant General Mr. Sungani Mandala and ICAM Dr Francis Chinjoka Gondwe.

JEAN MUNYENYEMBE IS NEW ACCOUNTANT GENERAL

Accountant General: Jean Munyenyembe

The Government of Malawi has appointed Jean Munyenyembe as the Accountant General. Mrs. Munyenyembe is a career civil servant who has also ever acted in the position of Accountant General sometime in the past. The Accountant General is to lead in the implementation of the vision of the department which is 'To be a leading designer of high quality financial management information services, developer and provider of accounting policies.' The Accountant General is an ex-officio member of the ICAM Council. Meanwhile, Council members have sent congratulatory messaged to the new Accountant General.

I AM BACK AT DEPARTMENT OF STATUTORY CORPORATIONS'– NWAZI MNTHAMBALA

Comptroller of Statutory Corporations: Nwazi Mnthambala

Former Deputy Accountant General and Principal Secretary (Office of the Vice President and Ministry of Agriculture), Nwazi Mnthambala is back at the Department of Statutory Corporations. Nwazi, a seasoned accountant is credited for championing the upgrading of accountants serving in Government who possess ICAM Diploma and chartered accountant qualifications. Commenting on Mnthambala's relocation to statutory corporations, ICAM CEO said: 'With Nwazi at the helm of the Department of Statutory Corporations we expect the very best from the Department. We expect to see improved performance of the Statutory Corporations.'

ACCOUNTING FOR GROWTH & NATION BUILDING

Underlining the colossal duty for the accounting profession in moving a nation from trenches of poverty & secrecy, to real prosperity & transparency.

BY MOSES CHAVI FCCA, CIA, CFE, CRMA, CM

We understand it still that there is no easy road to freedom. We know it well that none of us acting alone can achieve success. We must therefore act together as a united people, for national reconciliation, for nation building, for the birth of a new world.
Let there be justice for all. Let there be peace for all. Let there be work, bread, water and salt for all. Never, never and never again shall it be that this beautiful land will again experience the oppression of one by another and suffer the indignity of being the skunk of the world. Let freedom reign - Nelson Mandela.

ACCOUNTANTS ARE AN IMPORTANT PIECE IN THE NATION BUILDING PUZZLE

Now that we have been plummeted into a new era of the Malawi nation, the joys, frustrations and deep expectations will soon be eclipsed with the reality that we have a nation to build, governance systems to develop, accountability platforms to enhance, and the nearly 19 million+ citizenry to assure.

Nation building has never been the responsibility of the national leadership alone, nor of one class of people or category of industries.

As citizens of the beautiful Malawi nation, we are all in this together. In particular, we the accountants of the land have even a much higher responsibility of guarding the truth, preserving national values, and guiding both the leaders and followers towards real national wealth. If indeed our papers have to attest to our professionalism and eloquence of knowledge, we need to quickly move out of the pits of ululations or despair and speedily embrace the reality that we have a job to do.

We are a very important piece of the nation building puzzle. This is a phenomenon that has either baffled or confounded many leaders. It is a sweet term to utter in public and assure people of unity & progress; but unfortunately when we all close those doors away from the streets, the reality of the human factor and the quest for individual survival & success kicks in. This is where the possibility of a continued focus on nation building demands another human factor with stronger accountability, and with a quest for continued sharpening of the saw.

Nation building is defined as a multi-dimensional concept, and it involves the active participation of its citizens in various walks of life. A strong and powerful nation is built on dedication and hard work of its citizens, and some amount of smart planning on the part of the government. There are various facets of nation building among which the most important ones include the tapping of the potential of its human resource, reducing the social and economic disparity that exists in the society and creating an enabling environment, wherein individuals can live freely and attain their best in life.

It is crucial for professionals to 'understand the times' and prepare ourselves to be effective & beneficial participants in this national growth & enhancement equation. Whether positioned in the public or private spaces, we all carry a singular professional & national mandate. And most importantly, we are all sons & daughters of Malawi and we embrace a unified responsibility towards our nation and the businesses operating under the umbrella of this land.

Strong national leaders know that they need to keep close strong & qualified accountants, economists, engineers, doctors, lawyers, educators, clergy, security personnel, social development experts, farmers, and all the core professional resources they can muster. But sometimes, even when our kind of leaders fail to identify our importance, we will still dress up and show up, and make sure we make a national statement that we do exist and are here to serve our people.

LEVERAGING ON OUR CORE MANDATE OF ACCOUNTABILITY, DISCLOSURE & TRANSPARENCY

Being accountable to others for one's actions is called accountability. Man is used to leading a social life. People living in a society are accountable directly or indirectly to some other person or persons, organizations, or to the state.

As well-articulated by scholars, man becomes autocratic in the absence of accountability. There is a better system of accountability for financial activities if accounting principles are followed.

Accountants are key in ensuring the proper keeping of accounts of financial transactions, and with the help of these accounts preparing financial statements, operating results and financial petition of a concern. The preparation of accounts and financial statement demands that accounting concepts, principles, and standards are followed in the most accurate, proper, reliable and honest way.

For a developing state, accountants contribute significantly towards tax planning, strategic planning, general budgeting, capital budget forecasting, financing, the standard preparation of books of accounts, and in many responsibilities that may be required from time to time. Accountants are integral in the development of national and corporate operational frameworks; beyond accounting policies & procedures, we hold the critical know-how in devising optimal governance frameworks, delegation of authorities, addressing the issues of risk appetite & tolerance, and closing the taps of unnecessary procurements.

The accounting profession is one of the very few that easily spreads its tentacles across every industry or sector. Then it spreads even more into granular specialties and responsibilities, including general accounting, external auditing, internal auditing, corporate finance, banking, insurance, actuarial science, investment, data science, among so many specialties. This powerful professional mesh (not mess) galvanizes an organization for proper growth and stability, but also protects it against adverse internal & external influences.

Adapting a published responsibility framework, I aligned the accounting duties with the fabric of our nation building mandate as follows:

General Accounting: Qualified accountants are experts bringing together and applying professional standards of accounting in the changing business environment, and to accommodate new developments in business. This ensures comparability, reliability and stakeholder-faith, which is good for the economy and the numerous organizations.

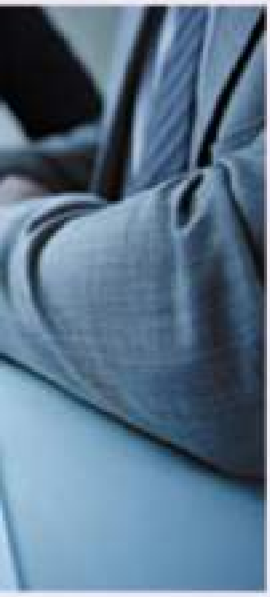
Financing:

Creating opportunities by arranging for business finance and providing a constant investment steam for the financial services players. Accountants are crucial in making calculations and reassuring banks about the credit worthiness of entrepreneurs or business owners. On a large scale too, many accountants working with investment banks help to arrange key business deals between organizations.

This means accountants also play a critical role in financial advisory, including the investment components of acquisition and divestitures.

Auditing: This is an interesting specialty which makes former classmates tussle around numbers and decisions. The client still bears the name of an accountant, whilst the consultant has now become the auditor (or the 'pester' in street language). Here lies the beauty of the accounting profession!

Beyond the look at financial and operational compliance, external auditors ensure that organizations are doing what's right, and are disclosing & reporting their activities in compliance with the international financial reporting standards. They also do advise management and the board on some visible efficiencies and effectiveness in financial activities.



Internal auditors on the other hand scour the whole place for anything that looks redund ant, phony, unnecessa ry, and duplicated. This crop of auditors has evolved overtime to diligently pursue business foresight & insights to facilitate pro-active financial planning, business restructurings, revenue optimization, cost-reductions, tax & other regulatory compliances, and optimization of core business objectives.

If this is not a good thing about auditors I don't know what other defense we can make for this profession.

Supporting in tax compliance. This includes liaison with government authorities, representing clients in courts, ensuring smooth business operations by taking over the complex tax compliance part. For example, without the accounting profession, changes in the national tax regime would be tough to implement. Simply, life would be miserable for other professions.

But maybe on the humorous side, if there were no accountants (anywhere on the planet), there would probably be no one to champion a tax regime on the side of the government neither.

FIGHTING FRAUD & CORRUPTION WITH MATURE GLOVES

Through accounting, corrupt people are identified easily. So, the stakeholders become aware of funds misappropriations, irregularity, misuse and expenditure beyond the approved budget - which indirectly helps to create values.

As professionals, we have a massive duty towards our people to not just protect the companies we work for, or the public service, but to unleash fury when we identify indiscretions. Whether we want to define corruption, fraud, bribery & thievery as the same thing, or as cousins, or one of them being the parent of all – it does not matter now. All these terms point us to the same thing. Evil.

If we are dreaming of a better Malawi and a progressive nation that can move from the traps of poverty into a global icon envied by many, we need to stop treating fraud with baby gloves. Don't fall in the trap of perpetrating evil under the guise of protecting 'your job'.

Make sure we major in the majors; what is better between keeping 'a job' and destroying a whole generation, corrupting your name, destroying your family, betraying your people, and losing your life? Call fraud for what it is, and be active participants in not just reporting it, but also stopping it in the tracks.

ADVISORS OF THE STATE, COMMUNITIES & GROWTH ENTREPRENEURS

Beyond the beautiful speeches, our leaders have a massive duty to lead the nation from the despicable state of stagnation and the mindset of 'smallness'. Malawi has lost literally generations between our original independence in 1964 and the modern era. As accountants, we understand the numbers (and we always say numbers don't lie). Looking at the current national reserves, actual GDP statistics, and the splits of the recent national budgets, versus the glamour of the national strategy, the Millennium Institute's Vision 2030 on SDGs, or the AU's Agenda 2063 flagship project – we have a duty to tell the leaders the truth, and to work alongside the economists and the entrepreneurs to see how our nation can attain the desired development levels by 2030, or indeed by 2063. In my modest accounting experience, I believe something is still not adding up unless the manifestos start to reflect a true developmental state mandate. A developmental state is characterized by having strong state intervention, as well as extensive regulation and planning. Although the term was birthed in the 20th century by international political economy scholars to refer to the growing economies of East Asia, the term has subsequently been used to describe countries outside East Asia that satisfy the criteria of a developmental state, e.g. Botswana, Rwanda, Mauritius, among many.

Regarding our role towards growth-entrepreneurs and Malawian communities, there is huge untapped potential in the many businesses we call small enterprises today – and most of them simply need good financial advice to 'metamorphisize' into big businesses, having local, regional and continental impact. This is equally true to the numerous subsistence and semi-commercial farmers who have been doing routine farming for decades.

Growth-oriented entrepreneurs have both a strong desire for growth and the potential capacity to realize sustained growth. These entrepreneurs want to scale up their businesses and seek to reach external markets, thus expanding the economy of the region by bringing in new wealth in the form of investment, jobs and careers, and tax base. This new wealth then recirculates throughout the local economy and stimulates the growth of local businesses.

Beyond our desks and fluffy (or velvety) carpets, we need to intentionally get our boots on the ground and start to build one brick at a time by reaching out to small businesses and farmers with both free & affordable accounting, business planning & financing services. Always remember, when we help others we in turn get the help we need and grow the profession in the process. Our names will also be engrafted in the Malawian success story forever – if not in the modern press, probably in the history books of the next century.

WHAT WE SHOULD BE TALKING ABOUT

We should be talking about growth & accountability, good governance & strong national institutions, growth-businesses & active entrepreneurship, crucial capital projects & sustainable infrastructure, functional public services & an educated electorate, stakeholder commitment & public responsibilities, clean accounting & corrupt-free environments, human development & participatory politics, excellent leadership & progressive followers.

We can never be talking about nation building or a growth state in the absence of a shared national vision. Even in the absence of a well-articulated national vision, as guardians of national value, we the accountants will chart our own vision amidst any chaos we may have to face. Our voices will be heard in the highest corridors and on all the high tables in the land.

Moses Chavi is an Internal Audit Leader, Risk & Governance Practitioner & Corporate Cultural Change Advocate.

AFRICA CAN FEED ITSELF AND THE WORLD

Africa's agricultural transformation will need to take place at the entire value-chain

By Catherine Riungu

> *This has led analysts to conclude that the 21st Century belongs to Africa and it would be a pity were its leaders to be led up the garden path by believing that they can leap-frog the agricultural reforms phase and jump straight into the fourth generation industrialization revolution which is currently sweeping across the world*

Africa has the potential to feed itself as well as the burgeoning global population which is projected to increase from the current seven billion to nine billion people by 2050.
While there is no silver bullet that could provide food for all, African countries need to open their eyes to the opportunities offered by the fact that some 60 per cent of the earth's uncultivated, but fertile to feed itself as well as the burgeoning global population which is projected to increase from the current seven billion to nine billion people by 2050.
While there is no silver bullet that could provide food for all, African countries need to open their eyes to the opportunities offered by the fact that some 60 per cent of the earth's uncultivated, but fertile land, is located across the continent.

Analysts argue that the current debate about industrializing the continent is at best a red herring, a distraction because it allows African leaders to take their eyes off the ball which is attaining food security for their people. There is a broad unanimity among analysts that Africa is not, and cannot, be an exception to the rule that saw all the now industrialized countries including the most recent ones in South East Asia— first go through the agrarian revolution phase which made them food secure. Europe, the continent that led the industrial revolution, transformed its agriculture in the 17th Century, followed by Japan in the 18th Century, then the United States of America (USA) in the 19th Century and, lastly, China in the 20th Century.

This has led analysts to conclude that the 21st Century belongs to Africa and it would be a pity were its leaders to be led up the garden path by believing that they can leap-frog the agricultural reforms phase and jump straight into the fourth generation industrialization revolution which is currently sweeping across the world.

What everyone in the African continent needs to understand is that such a move would cost a huge amount of money and skills-sets that are simply not available today or in the near future.

And no country or multilateral finance institution is likely to offer the continent the level of support needed to go headto-head in competition with firms producing similar goods in the industrialized countries.

The challenge facing the continent, and each of the individual countries' efforts to industrialize becomes all the more obvious when it is realized Africa would need to invest in advanced disruptive technologies such as 3D printing, Internet of Things, advanced robotics and drones just to keep up with the rest.

This leads to the logical conclusion that the route to industrialization for the continent lies in producing food for its people and then adding value to the surplus before exporting to the rest of the world.

But, first, there has to be a paradigm shift about food production. The quick fix era of offering States and multinationals vast swaths of land to grow whatever they wish and then ship it outside the country with few questions asked should come to an end.

Instead, agricultural transformation that will yield dividends to the continent and its people must be the one that builds social cohesion, creates beneficial continental trade, provides a platform for global exports, and most importantly, creates millions of jobs while pulling subsistence farmers out of poverty. To achieve these aims, Africa's agricultural transformation will need to take place at three levels along the entire value-chain— farmer, market and cluster. According to the United Nations Food and Agriculture Organization (UN-FAO) small-holder farmers contribute up to 80 per cent of Sub-Saharan Africa's food

supply. It goes without saying, therefore, that increasing their capabilities would raise Africa's output, and, even more important,

help solve the continent's poverty and malnutrition problems. At the farmer-level, transformation would seek to increase yields and reduce post-harvest losses that account for almost a third of the produce.

Given that Africa's food production per hectare is a measly 1-1.7 tonnes compared to Europe's five tonnes per hectare, means the continent can register quick gains with a little extra-capital outlay.

All that may be required is better access to quality seeds and use of appropriate fertilizers which, in turn, call for greater government support and enactment of proper policies on intellectual property rights to promote private sector seed breeding.

The crafting and implementation of blue-prints on the sector that encourages empowerment of women, starting with school girls is also important. The school girls should be told success stories and examples of successful female agriculture entrepreneurs and small-holder farmers.

Based on economies of scale, women would also need to be trained in mechanized farming, use of inputs and the curriculum should be upgraded regularly to make it richer in gender and nutrition subjects. This is in recognition of the reality that women play a pivotal role in farming as they make up more than three quarters of the labour force on farms in most African countries. The women would also be encouraged to work in groups to achieve economies of scale. Property rights in some African countries may also need to be reformed to enable predictable land ownership and strengthen contract enforcement laws. Public-Private-Sector initiatives can also ensure capacity building support and the development of structures in areas such as finance.

Financing agriculture in Africa has been dismally low because of the risk factors banks see in the sector. Banks and other financial institutions find it difficult, for example, to predict the lending risks to agriculture because production may be affected by many factors while penetration of farm insurance is particularly low across the continent.

The financial institutions' reluctance to lend to the farming sector is also affected by severe changes in the pricing especially when there is oversupply immediately after harvest where prices can change by up to 200 per cent. The continent needs, therefore, to come up with an insurance product that would mitigate some of the challenges facing the financial sector and encourage them to up their lending volumes and at interest rates that would be sustainable and beneficial to all the players.

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The good news here is that some countries have already seen the light and are taking baby steps in this direction. What may be needed is for them to share their experiences with others who are still at the starting line. The banks and insurance firms that do business across countries and regions should also be encouraged to share their experiences and evolve the industry's best practices.

There is a need to deepen and strengthen national commodity exchanges and establish regional ones because these act as entry points for financial service providers. This is because exchanges eliminate the counter party risks. When farmers bring their produce to the exchanges, forexample, they are assured of payment. What is more, the exchanges cut off the middlemen who are the bane of many a farmer in Africa. Kenya's President Uhuru Kenyatta is on record decrying the control the middlemen have over tea and coffee farmers, early this year. The President noted that while farmers could be earning sh91 per kilogramme of tea delivered at the factory, they are earning sh41 while the balance of sh50 was shared among brokers. Unfortunately, the blood-sucking middlemen are not limited to the tea trade as they are also found in other crops including coffee—once referred to as Kenya's black gold.

The scourge of middlemen has been accused of bringing the coffee sub-sector to its knees with its production dropping from 140,000 tonnes in the crop's heyday to the current 41,000. The problems the two sub-sectors are grappling with point to the dangers the farmers are exposed to when middlemen, including state agencies, are given a blank cheque to determine the rules and regulations governing any crop. Evidence on the ground suggests that the problems facing farmers in Kenya are not unique as they are the norm across the continent. Cocoa farmers in the West African countries are also well documented. The solution seems to be for the countries growing the same crops to come together and formulate policies that would govern the marketing of their produce.

The need for fresh thinking in this area is borne out of the realization that some European countries have for generations been living off the sweat of African farmers. Indeed, a visit to France, Germany, Switzerland and Britain can be revealing because a look at the occupations of individuals living in the most exclusive parts of these countries' capital cities deal with imports and re-exports of Africa produce.

This is where the argument for African countries to come up with strategies that would facilitate the export of its produce by establishing cluster specific initiatives comes into its own. These clusters would focus on product availability and production competence. The continent would do well to borrow a leaf from New Zealand, a developed country that is smaller than many countries in Africa.The country's dairy exports are a successful example of a macro-level transformation that can happen across countries or/regions in Africa.

The story is that years ago, the New Zealand Dairy Board created a platform for best practice sharing among its members to improve productivity and product quality and actively aerated export markets for excess products. Some of the dairy board's activities became part of a new cooperative called Fonterra—now one of the leading global milk processors and dairy exporters, with about 22 billion litres of milk produced annually. Fonterra also produces more than two million tonnes of dairy ingredients, specialty ingredients and consumer products annually—95 per cent of which is exported. In conclusion, clear-specific export initiatives like Fonterra should be the goal that African countries should aim for and they should be spread across the continent.

This is the transformation in agriculture that could provide the fuel for industrialization. Catherine Riungu riungucm@gmail.com

The downside, that was hidden from view until now, to these efforts has been that they also reduced the amount of unused resources -what economists refer to as "slack" -in the global economy as a whole.

to as "slack"—in the global economy as a whole.
Until now, firms viewed slack as a measure of idle, or even squandered, productive capacity. But what the coronavirus pandemic is revealing is that too little slack makes the entire system brittle in times of crisis as it eliminates fail-safes. To be sure, global firms had a foretaste of today's unfolding scenario in 2011, when tsunami waves damaged the Japanese nuclear plant of Fukushima, the second worst accident in the history of nuclear power generation. The accident forced Apple customers to wait more than six weeks to get the iPad 2s they had ordered. Although the Fukushima accident was not comparable to the corona virus shock, it was more than enough to have a major impact on the Apple supply chain. This is because the battery of the iPad includes a resin called Polyvinylidence Fluoride (PVDF), and 70 per cent of the PVDF market is controlled by the Kureha Corporation in Iwaki, Japan, which is 37 miles south of Fukushima Daiichi. After the accident, all Kureha's customers had to rely on its competitors for a while. Evidence on the ground suggests that no lessons were learnt from the Fukushima accident once production at the Kureha'sfactories went back to normal.

Now, the Coronavirus has impacted not only a more crucial hub, the Hubei region and the whole of China, where more than 20 per cent of global trade manufacturing originates, but it has also hit other hubs in South Korea, Japan, Taiwan and others.

And although it may be too early to see how the crisis will pan out in the coming days, weeks, months... years, an outline of how the future might look like is visible, albeit, faintly. But, the question worth asking is just how in the world did countries, especially the industrialized ones, find themselves in this Catch-22? The answer is they lured into the trap by proponents of neo-liberal economics – which morphed into conventional wisdom—which argued that globalization created a thriving international marketplace, allowing manufacturers to build flexible supply chains by substituting the supplier or component for another as needed. Adam Smith's The Wealth of Nations became the wealth of the world as businesses took advantage of globalized division of labour. Specialization produced greater efficiency, which led to accelerated growth. But globalization also created a complex system of interdependence as companies embraced global supply chains giving rise to a tangled web of production networks that wove the world economy together. The components of a given product could now be made in dozens of countries; this drive towards specialization sometimes made substitution difficult particularly for unusual skills or products. And as production went global, countries became more interdependent, because no country could possibly, or so it was argued, control all the goods and components its economy needed. Thus, national economies were subsumed into a vast network of suppliers. Thanks to the coronavirus pandemic which is now exposing the fragility of this globalized system that has also created huge numbers of people without jobs or under-employed and not earning enough to live on. The result is forcing these workers to have two or three jobs simply to stay alive. Another truth the coronavirus crisis is revealing is that just-in-time manufacturing easily becomes too late in some key industries in many countries. Critical medical supplies, such as reagents, a key component of the test-kits that laboratories use to detect viral RNA, are either running low or are out of stock in countries such as Italy that have been hardest hit by the pandemic. These grave weaknesses in the until-now idealized globalization are feeding into United States President Donald Trump's declared policy of persuading American

firms to bring offshore manufacturing back home. And trump is not alone as several European countries, especially those ruled by nationalistic right-wing parties are showing signs of following suit. These developments are buoyed by some governments that have given in to their worst instincts.

For example, although Chinese manufacturers made more than half of the world's medical masks before the out- break of Covid-19, the Beijing government bought the entire supply of masks produced locally immediately the disease was discovered while also importing large quantities from other countries together with respirators. The immediate result was a severe supply crunch that reduced other countries' ability to deal with the pandemic after it broke out.

But the European countries did not behave any better, Russia and Turkey prohibited the export of medical masks and respirators while Germany, the self-decaled paragon of virtue, did the same thing despite the European Union hav

ing been set up to create a single market with unrestricted free-flow of trade among its member states. The French, the more cynical nation that it is, took the simple step of seizing all available masks.

When the European Union officials in Brussels complained that such actions undermined solidarity and prevented the EU from adopting a common approach to combating the new virus, they were studiously ignored. These beggar-thy-neighbour dynamics threaten to escalate as the crisis deepens in Europe with a French politician warning that the EU is at the risk of unravelling if the other members leave Italy-the European epicentre of the disease-- to fend for itself. In early March, Italy had called—it turned out in vain—on other EU countries to provide emergency medical equipment as critical shortages forced its doctors to make heart-breaking decisions about which patients to try to save and which to let die. Back in the United States, the problem is dire as the country was late in adopting a coherent response to the pandemic and is also short on many of the critical supplies that are urgently needed. President Trump's trade adviser, Peter Navarro, has used the behavior of countries to withhold critical supplies in times of other countries' need to threaten allies and to justify American decision to withdraw from global trade, arguing that the US needs to bring home its manufacturing capabilities and supply chains for essential medicine. By invoking the 1950 Defense Production Act which empowers the government to mobilize private industry to ramp up production in the name of national security, Trump is one step closer to fulfilling his wish.

But America is not alone as almost all the European countries have gone beyond simply declaring an emergency in their nations and invoked wartime analogies in efforts to convey the magnitude of the crisis they are facing and the corresponding need for massive, sustained government spending.

> "Now, the Coronavirus has impacted not only a more crucial hub, the Hubei region and the whole of China, where more than 20 per cent of global trade manufacturing originates, but it has also hit other hubs in South Korea, Japan, Taiwan and others. And although it may be too early to see how the crisis will pan out in the coming days, weeks, months…years, an outline of how the future might look like is visible, albeit, faintly.

In the UK, the Boris Johnson government has also moved to a "war footing" and urging British manufacturers to make the ventilators, masks, gloves, beds and other items health care workers and others on the frontline of the crisis need. It may come as something of a surprise to those opposed to Brexit that London might become an example to other countries attempting to extricate themselves from the globalization web. This is provided, of course, the government in its goal of revitalizing the country by pursuing an intelligent and pragmatic economic programme in which it used industrial policy to revive high-end industrial activity that brings home a whole range of supply networks. It may be worth noting that all the industrialized countries including Germany that had placed the need to balance the budget above the need to meet the needs of other EU nations to give their citizens a decent standard of living—have torn up the rule book spelling out rules governing the size of the public debt as they pump money into their economies to stop them from slipping into a recession, or worse, depression. Germany has gone a step further and announced it would be taking a stake in some of the companies into which it is pumping public money to stave off collapse. By taking stakes in companies into which these countries are pouring in public funds, the governments would be that much able to dictate these firms policies including requiring them to begin bringing home manufacturing that they have off-shored to other nations. There is a glimmer of hope that Africa could be a beneficiary as these industrialized countries seek to establish alternative manufacturing hubs away from SouthEast Asia which has now produced two of the latest global pandemics.

But these leaders have to act in concert and present a unified continent of about 1.2 billion people and not jostle against each other as they have done in the past. The result has seen some countries offer tax holidays to firms to manufacture goods for export after they have exhausted their own nations' quarters. Viewed as a whole, Africa's young and growing population is a potential market that rivals even China in terms of investment opportunity. It is also a highly dynamic market whose population is projected to reach 2.5 billion people by 2050 at which point it will comprise 26 per cent of what is estimated to be the world's working age. The continent's (EAC). The creation of the largest single market in the world through the African Continental Free Trade Agreement (AfCFTA) demonstrates the seriousness of Africa's ambitions which are second only to the voracious appetite of its youth to realize their dreams and build the continent they want. The agreement will create a tariff-free continent, improving legal and policy harmonization across borders to boost intra-African trade and attract the right type of investment to drive industrialization. If all 54 African countries join the free trade area, it will be the world's largest by the number of countries with a combined Gross Domestic Product (GDP) of $2.5 trillion. The AfCTA also signifies Africa's move towards a regional approach to trade negotiations and the industrialized countries would do well to take note of this shift in direction.

By Mbatau wa Ngai
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"HAVE YOU BEEN BUSY DURING THE "LOCK-DOWN"?

Provide a Clear, Forward-Looking, Long-Term View of Your Organization's Finances and Sustainability

By Jim McFie

A number of organizations I am associated with assume that during this period of "lock-down" I have all the time to engage in, listen to and lecture on a wide variety of topics.

However, my experience is that I have never been busier than now: the time I have saved by not having to sit in traffic in the clogged streets of Nairobi has been fully consumed by preparing for intensive Zoom meetings and Zoom classes. It would seem that something similar has occurred in many accounting organizations around the world.

A few days ago, the International Public Accounting Standards Board (IPSASB) published a Questions and Answers document to discuss the relevance of International Public Sector Accounting Standards (IPSASs) and related Recommended Practice Guidelines (RPG) for reporting on both climate change and the United Nations' Sustainable Development Goals (SDGs) in the general purpose financial reports of public sector entities. IPSASB points out that climate change presents an existential threat for individuals, societies and economies. Compounded by the economic losses that the COVID-19 pandemic presents, there is a need for financial reporting and information that

> **Financial capital, it turns out, is just one of many capitals. The report deals with a number of ompanies that have committed themselves to put the concept of managing all these capital simultaneously -they are pushing towards a broader perspective, beyond simply managing financial performance. Such a broader view of management practice is at the heart of integrated thinking. The drivers for this push came from a number of different sources. One matter the report deals with is the problem of internal challenges or barriers to integrated thinking.**

provides a clear, forward-looking, longterm view of an organization's finances and sustainability – particularly for governments and other public sector entities. Governments and public sector entities can apply existing IPSAS literature to report on sustainability issues, including climate change risks, and to communicate progress towards achieving goals such as the SDGs. But to help stakeholders understand how to apply the Board's current guidance to provide clear, comparable and relevant information on climate change, the IPSASB Staff have published the document to highlight the relevant standards and guidance for the public sector. People may ask if there is existing IPSASB literature relevant to consider for climate change reporting, or when governments or public sector entities have strategies and programs in place to manage climate change risks, how should these be disclosed, or when governments or public sector entities adopt the UN's Sustainable Development Goals (SDGs), what IPSAS financial reporting guidance should be considered. The new document aims to help drive transparency and sustainability in reporting on public finances. Further guidance on the recognition, measurement, presentation and disclosure of natural resources is also being considered by IPSASB as part of its

project on Natural Resources. David Creelman, based in Toronto and partly in Kuala Lumpur, has written on the possible demise of the office as a place of work. We have become very aware of the wide range of tools that enable mobile work: project management tools, collaborative document creation tools, document management systems, messaging tools, and the now universal video calls. But he points out that, as great as these tools are, there is still something missing from the office experience. Some see this as the reason why, when Covid 19 finally exits the scene, we shall inevitably go back to the office — we are social creatures after all. Others see it as evidence that we are missing some feature sets that can be solved by using the right software. Some companies are working on these "solutions". Spatial (https://spatial.io/) believes the missing element is the sense of being in a three-dimensional room together - they solve that with Virtual Reality (VR). Remotion (https://www.remotion.com/)believes that it is important to be able to look around the office and see your teammates, possibly starting a short conversation if they do not look too busy; this is solved by having thumbnail 'always-on' videos of your teammates. Teemly (https://teemly.net/ Teemly), a virtual office for distributed teams, has a similar and slightly more elaborate solution.

Pragli (https://pragli. com/Communicate faster and combat loneliness. Sign up now - it's free) addresses the lack of the ad hoc conversation you have in your office - it enables virtual office hours to make those conversations more likely. Sococo (https://www.sococo.com/Sococo is the online workplace where distributed teams come to work together each day, side by-side, no matter where team members might be) feels that people miss being in an office where they can walk around and get a sense of where everyone is and who is working with whom. They solve that with a virtual office layout where you can see where everyone is. Will these ideas succeed? Whether they will or not, it is amazing how creative human beings can be. It is interesting just how much creativity and effort is going into creating these specific factors and these factors can all potentially be addressed by technology. As these tools chip away at the advantages of working in an office, we might find offices disappear once and for all. Do not get into buying office buildings soon, especially if the building is in Nairobi, the city with 5.3 million square metres of empty office space according to a report I read recently. The International Integrated Reporting Council (IIRC) has just published a document entitled "Integrated Thinking & Strategy: State of play report". The publication kicks off by asking how the management of a modern business should operate. Are there good examples which lead the way? What should managers be aiming at when they manage multiple resources? In addition to achieving good financial performance, performance has to be viewed much more widely by looking at the success in managing human, natural, intellectual, manufactured, and social and relationship capitals. Some businesses have started to use new management practices based on a broader understanding of the resources they use and manage. tools. But there is not some mysterious life force that makes working in an office better than working at home. There are To use the language defined in the International Integrated Reporting Framework, they are seeking to consider the creation of multi-capital value over the short, medium and long term. This multi-capital management approach is known as integrated thinking. Rather than using a narrow focus on financial tools, today's best performers are basing their business decisions on interconnected information across multiple capitals, including natural, social and relationship, human, manufactured and intellectual. Financial capital, it turns out, is just one of many capitals. The report deals with a number of companies that have committed themselves to put the concept of managing all these capital simultaneously - they are pushing towards a broader perspective, beyond simply managing financial performance. Such a broader view of management practice is at the heart of integrated thinking. The drivers for this push came from a number of different sources. One matter the report deals with is the problem of internal challenges or barriers to integrated thinking. The report deals with three. The first is the strategic barrier: company leadership

does not buy into or understanding the reasons behind a shift towards integrated thinking. The second is the organizational barrier: a company can have a real inertia in moving away from the concept that "the business of business is business – and nothing more": this may have dominated their thinking for years, or even decades; for other companies, the silos that have been embedded into their structures prevent integrated thinking from prospering. The third barrier is the analytical one: if the data and related systems and processes do not exist to support integrated thinking, then the organization will not benefit from the evidence that metrics and analytics can provide to support a broader view. It is important to note that these barriers do not exist in isolation. In most companies, all these barriers co-exist and their interactions with each other reinforce the difficulty of adopting integrated thinking.

The model for integrated thinking is still developing. The IIRC is keen to receive feedback on the ideas put forward in the report and will be undertaking active outreach to all stakeholders to gather as much feedback and input as possible. A number of companies in Kenya have adopted Integrated Reporting; a number of analysts analyze these reports. The IIRC invites those involved or simply interested in Integrated Thinking and Integrated Reporting to share their thoughts or questions by emailing: businessnetwork@theiirc.org Roadmap The IIRC will evaluate the feedback it receives in order to set out a roadmap for 2020, including the potential to develop new case studies and update current ones. The IIRC will use this feedback to review the working of the people involved in this body of research, and introduce new work-streams to reflect emerging innovations and possible next steps on the journey to integrated thinking, as well as refining the ideas and concepts of the work-streams that have generated the current report. The IIRC aims to learn and develop a lot more in the coming year, in spite of Covid 19; it aims to share that new learning in a similar report at the end of 2020. The report will include findings from new case studies and workstreams. The implications of integrated thinking and advice on how to get started will be key topics – all with the ultimate goal of enabling more organizations to start practicing integrated thinking so they can optimize their ability to create real value.

Joseph Stiglitz is a renowned economist who lectures at Columbia University in New York and who won the Nobel prize in economics in 2001. He also worked at the Institute of Development Studies at the University of Nairobi in June 1969, when he wrote a paper entitled "Alternative theories of wage determination and unemployment in less developing countries". When Stiglitz had his sixtieth birthday some years ago, there was a conference at Columbia University in his honour.

One economist from another university claimed that he had tried to make sure that he read everything that Stiglitz wrote: however, he admitted that Stiglitz wrote faster than that economist could read. I feel like that economist today. In June 2020, twenty six extended studies and articles relating to accounting, auditing and financial management have appeared: and I just do not have the time to read them. Maybe Covid 19 will be the straw that breaks this camel's back.

FCPA Jim McFie is a fellow of the Institute of Certified Public

IMPACT OF COVID ON FINANCIAL REPORTING STANDARDS

By Albert Otieno

The COVID-19 pandemic crisis and its economic effects mean that investors and other stakeholders need high-quality financial information more than ever before. ICPAK, accountancy firms, consultancies and regulators such as CBK, IRA AND CMA should quickly make available guidance on the accounting and financial reporting requirements that will need to be considered in addressing the financial effects of COVID-19 when preparing financial statements. Whereas this may vary from one industry to another, disclosures are going to be the most important section of the financials to see the assumptions in the financials for comparative purposes. In this article, we take a look at some of the reporting standards that may be affected by the Covid-19. **IFRS 9 Financial Instruments - Measuring expected credit los assessments (ECLs)** The COVID-19 impact on credit risk will be more severe and immediate in various sectors. IFRS 9 requires companies to incorporate reasonable and supportable information about past events, current conditions and the forecast of future economic conditions into the assessment of ECLs for financial assets not measured at fair value through profit or loss. Such an assessment should be based on information at the reporting date and adjusted for subsequent available information. The increased credit risk faced by banks and lenders is related to exposures to borrowers in highly affected sectors such as flower farms, hotel industry and education institutions. Provisions need to be estimated based on the ECL for the entire remaining life of a financial instrument, such as loans to borrowers whose credit risk has increased significantly since in the Covid-19 period. Since CBK guided banks not to do provisioning of loans that go bad during the COVID-19 period, then the ECL model assumptions may be retained as it was pre-covid era.

FINANCIAL REPORTING & ASSURANCE

IFRS 13 requires companies to disclose the valuation techniques and the inputs used in FVM. Disclosures are needed to enable users to understand whether COVID-19 has been considered for the purpose of FVM. Key consideration is what conditions and the corresponding assumptions known or knowable to market participants at the reporting date. For example banks revaluation of their investments in shares of other companies should include disclosures on the knowable effects of Covid-19 to such firms. This will involve measurement based on unobservable inputs that reflect how market participants would consider the effect of COVID-19 in their expectations of future cash flows related to the asset or liability at the reporting date. Since the volatility of prices on various markets has also increased, this affects the FVM either directly - if fair value is determined based on market prices in case of shares or indirectly - if the valuation technique is based on inputs that are derived from volatile markets.

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IAS 10- EVENTS AFTER THE REPORTING PERIOD

Judgment is required in determining whether events that took place after the end of the reporting period are adjusting or non-adjusting events. This will be highly dependent on the reporting date and the specific facts and circumstances of each company's operations. Management may need to continually review and update the assessments up to the date the financial statements are issued given the fluid nature of the COVID-19 crisis and the uncertainties involved. If management concludes the impact of non-adjusting events are material, the company may be required to disclose the nature of the event and an estimate of its financial effect. Examples of nonadjusting events that would generally be disclosed in the financial statements include breaches of loan covenants, major restructuring, significant declines in the fair value of investments held and abnormally large changes in asset prices after the reporting period. In Kenyan setup, loan covenants and restructuring will form part of non-adjusting events that are material based on the CBK guidelines to banks to offer one year moratorium to borrowers and allow for restructures.

IAS 1- GOING CONCERN ASSESSMENT

Presentation of Financial Statements requires management to assess a company's ability to continue as a going concern. The going concern assessment needs to be performed up to the date on which the financial statements are issued. Material uncertainties that cast significant doubt on the company's ability to operate under the going concern basis need to be disclosed in the financial statements. It is highly likely that many companies large and small, and particularly in certain sectors like flower farms, hotel industry and aviation firms will have issues relating to the current situation that need to be considered by management.

There will be a wide range of factors to take into account in going concern judgments and financial projections including travel bans, restrictions, government assistance and potential sources of replacement financing, financial health of suppliers and customers and their effect on expected profitability and other key financial performance ratios including information that shows whether there will be sufficient liquidity to continue to meet obligations when they fall due. Management should assess the existing and anticipated effects of COVID-19 on the company's activities and the appropriateness of the use of the going concern basis. If it is decided to either liquidate or to cease trading, or the company has no realistic alternative but to do so it is no longer a going concern and the financial statements may have to be prepared on another basis, such as a liquidation basis. In Kenyan setup, ICPAK and other lobby institutes can champion treasury to bail out such companies so they remain a going concern. This may not be exhaustive so feel free to add other standards and how you feel COVID-19 will affect its reporting.

CORONAVIRUS (COVID-19) IMPACT AND RISK RESPONSE GUIDE

By Martin Makaya
Partner – Assurance & Risk Advisory
BDO in Malawi

INTRODUCTION

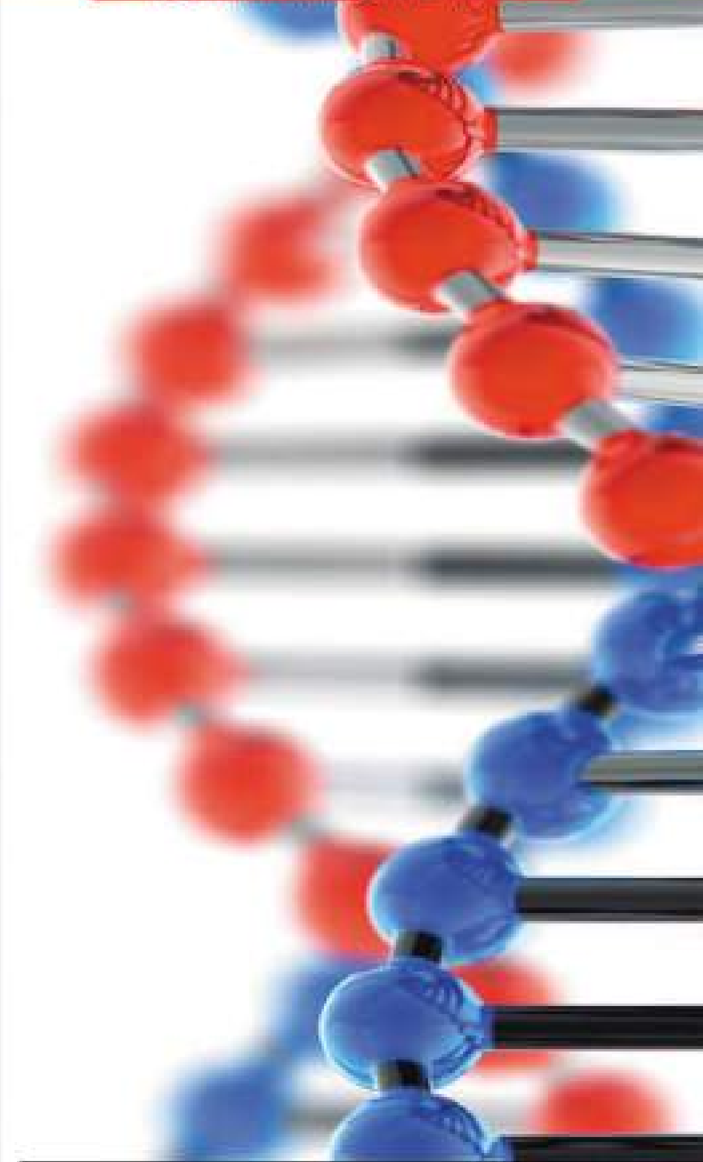
Based on the World Health Organisation's (WHO) declaration that COVID-19 is a public health emergency of international concern, and whose impact will continue to be felt for a long time, it is important for executives to prepare their businesses to weather
the Coronavirus (COVID-19) storm and survive its after effects. Simple precautions and planning can make a big difference. At the time of compiling this guide, indications on the ground in Malawi are that after a slow rate of infection, the rate was starting to pick up. Other studies also indicate that the coronavirus will remain in Africa for some time and may even result in later infection peaks. It is important for companies therefore to continue protecting their employees and their businesses.

ORGANISATIONAL READINESS

It naturally follows that organisations need to ensure that the wellbeing of their employees and families are of paramount importance, whilst also safeguarding their business. This is especially relevant for small and medium-sized businesses that may not have the resources of a large corporate organisation to support them. As it is still unknown how long the epidemic may last, we recommend that companies carry out a thorough assessment of the risks and potential impact of the epidemic and implement swift responses to mitigate any business disruption, including being ready for a prolonged period of time where certain restrictions that came with the lockdown may continue to be in place.

EPIDEMIC PROMPTS CORPORATE DISCLOSURE

Since the outbreak of the Coronavirus, the impact on businesses have progressively been unveiled. Some of these impacts include interruptions to the supply chain, failure to meet revenue targets due to the restrictions imposed as a way of stopping the spread of the coronavirus by various. At the time of compiling this document, the President of Malawi had just announced a National Covid-19 Preparedness and Response Plan (March - June 2020) in April 2020, though with a relaxation of some of the restrictions. Without doubt, investors, shareholders, employees, and regulators are concerned about the outbreak's effects on business performance. To meet their information needs, they require adequate disclosure of interruptions to business and the mitigating measures that are implemented, and quantification of the impact of the consequences. Even if not directly regulated, organisations should still consider the level of disclosure that might be appropriate for its shareholders and investors.



The impact on revenue and profitability figures should be estimated and any finance providers kept up to date with the potential impact on agreed loan obligations and other covenants.

IMPACT AND RISK RESPONSE

In the face of the epidemic, business executives are taking precautionary measures and busy working around the clock to formulate action plans to mitigate risks and their impact on business operations, while at the same time meeting the needs of their customers, employees and other stakeholders. We present below some of the areas that needs to be monitored and planned for from a risk impact
point of view.

IMPACT ON SUSTAINABILITY

IMPACT ON CONTRACT COMPLIANCE

IMPACT ON SUPPLY CHAIN

IMPACT ON HEALTH AND SAFETY

IMPACT ON TECHNOLOGY

Impact on sustainability

The impact of the Coronavirus on businesses has already been felt and for many, it will be catastrophic. The impact has been through disruption of business activities, mainly because of measures to control the pandemic. For instance, companies in the travel and tourism industry have seen a sharp decline in cumber of customers due to curb of free movement of people. The same can be said for companies whose services have not been considered essential and have had to close operations for the duration of the lockdown.

Some organisations may also been forced to cease operations for an extended period or operate below capacity due to the impact on their workforce, customers, or suppliers.

These issues may affect companies' sustainability due to such factors as falling revenue, reduced financial liquidity and the going concerns of key business.

Risk response

It seems like the epidemic will not end soon and it may continue for a prolonged period. The IMF has come up with scenarios that point to the possibility of future resurgence of the epidemic, especially in cases where the virus control measures are discontinued early. Businesses know and understand that Cash is king: the critical element in any time of uncertainty is to ensure that the company's liquidity position can be maintained and to buy time for the company to recover. We recommend that the company management establishes a taskforce to monitor the level of impact on the business and, periodically and as needed, to report to the board on the status of the key performance indicators for critical business units. Companies may also consider the following actions, among others:

□ Conduct a thorough risk assessment of business operations, taking a holistic approach across the globe rather than focusing on certain regions, to assess the level of possible interruption and formulate measures to mitigate potential impacts.

□ Review the pace of expenditure in relation to the company's expansion plans and existing development projects (if any) and slow down the cash burn rate.

□ Re-prioritise the allocation of resources to unaffected business lines.

□ Explore and identify business transformation opportunities and models to reduce over-reliance on existing business segments.

□ Identify measures for controlling budgets and making cost savings, such as assessing the possibility of outsourcing certain business processes in a costeffective way.

□ Explore opportunities for collaboration with new strategic business partners for new market development and to meet customers' needs.

□ Identify alternative solutions if forced to suspend operations at the business premises.

Impact on contract compliance

Companies may not be able to manage all the Coronavirus-related issues resulting from business interruptions, whether they are caused by third-party default or within the company, and some may be unable to meet their contractual obligations because ofsupply-chain interruptions or unforeseen events beyond the company's control hindering its performance.

Risk response

We recommend that companies consult their legal advisors and review their contracts to determine what, if any, rights and remedies they have as a result of the delayed performance of contracts.

Companies should also take (and document) reasonable steps to mitigate the impact of the Coronavirus as evidence for defence. If companies cannot fulfil their contractual obligations, they may need to quantify the amount of financial damage and the impact on their long-term business relationships.

Companies should review their existing insurance policies to find out whether any losses they incur relating to the Coronavirus can be covered under existing terms or whether they need to adjust their cover for maximum protection.

Impact on supply chain

Governments around the world have taken measures that limit the movement of goods and people between their borders and those of other countries, Malawi included. With China and America being the factories of the world, as it where, the global supply chains have been affected or disrupted. For Malawi, this has also been compounded by the lockdown in the SADC region and internally.

With Malawi being a net importer, and heavily dependent on the SAC region, Middle East and Asia for its imports, the supply chain impact is more likely to manifest itself with restricted service from suppliers. Whilst most will have contingency measures, usual turnaround times may be impacted and any significant period end peaks that require full resource availability may also be impacted.

Risk response

If a company is aware of a risk of disruption in its supply chains, it should take the following steps, among others, to mitigate the potential consequences of any disruption:

- Understand the behaviour of disruptive models applied to the supply chain and establish the time point at which such disruption is located.
- Consider re-prioritising work to respond to market impacts associated with the threat, if in retail or hospitality, increase safety stock levels and stockpile essential supplies and resources.
- Pre-qualify alternative domestic or international suppliers and outsourced vendors in case primary suppliers can no longer provide support.
- Formulate contingency measures, give first response, and anticipate possible failures in the supply chain.
- Assess if suppliers have documented plans for business unit continuity and information technology disaster recovery, including for critical business.
- Take into consideration the absence of many critical staff over an extended period.
- Estimate the recovery time for the supplier's "mission-critical" business processes.
- Develop actions for business recovery. For example, finding and approving new suppliers, delaying time critical work, engaging with clients to re-prioritise service delivery.

Impact on health and safety

The Coronavirus is an infectious disease. Gathering employees together at the workplace may put them at risk of exposure to the virus. Even when the current social distancing restrictions are lifted, the epidemic will continue making it challenging for companies to strike a balance between continually maintaining productivity and efficiency and providing a safe working environment for their employees.

It is important therefore to adopt adequate preventive measures and maintain an effective communicable illness policy to help ensure a safe work environment for employees, customers and clients.

Risk response

To protect employee and customer safety while minimizing adverse economic impacts on the business, companies may consider the following actions, among others:

- Always remind employees about the importance of maintaining personal hygiene in the workplace.

- Adopt an effective but ethical employee screening system

- Ensure safe transport is provided for employees who must use public transport to get to the workplace

- Establish a quick process to identify who will take charge at operational locations to oversee a crisis management plan and local employees, in the event a second wave of infections where to recur.

- Disseminate information on precautions to stop the spread of the virus.

- Constantly update on records of travel and monitor employees' exposure to the source of the Coronavirus.

- Adjust seating arrangements in the workplace so that a safe distance can be maintained between employees.

- Review and evaluate home office working policies and capabilities.

- Provide sufficient and accessible infection control supplies (PPE).

- Establish procedures for regular body temperature checks for employees and visitors and ensure these are followed.

- Comply with all compulsory reporting and quarantine requirements announced by the health authorities.

- Report on and monitor sick leave and symptoms.

- Sensitize employees against circulating messages on firm-wide social media that may cause fear, anxiety, and misinformation among employees and plan communications accordingly.

- Develop a platform or communication channel (e.g. hotline) to communicate information about the pandemic inside and outside the organisation.

Impact on technology

The outbreak of the Coronavirus has caused significant disruption to many businesses. As such, many companies have activated contingency and business continuity measures. The containment that have been imposed by many countries, Malawi included, have heightened the need to have employees work from home to limit the spread of the virus and comply with containment requirements. These employees are connecting to the company's networks remotely.

At the same time, with the popularity of smartphones and instant messaging applications, employees can communicate with colleagues, customers, and vendors via mobile applications.

With many companies already having experimented with the 'work from home' concept, it is envisaged that a lot of them may opt to continue with the arrangement to avoid the costly infection control supplies and systems

Risk response

In general, it is important to ensure that network connections are secure and mitigate the data protection risk associated with communicating through mobile applications. Companies may consider the following responses, among others:

- Assess if the security settings for remote connections and secured individual access mechanisms are in place.

- Adopt multi-factor authentication for employees who are logging into the company network.

- Review communications and information technology infrastructures as needed to support employee telecommuting and remote customer access.

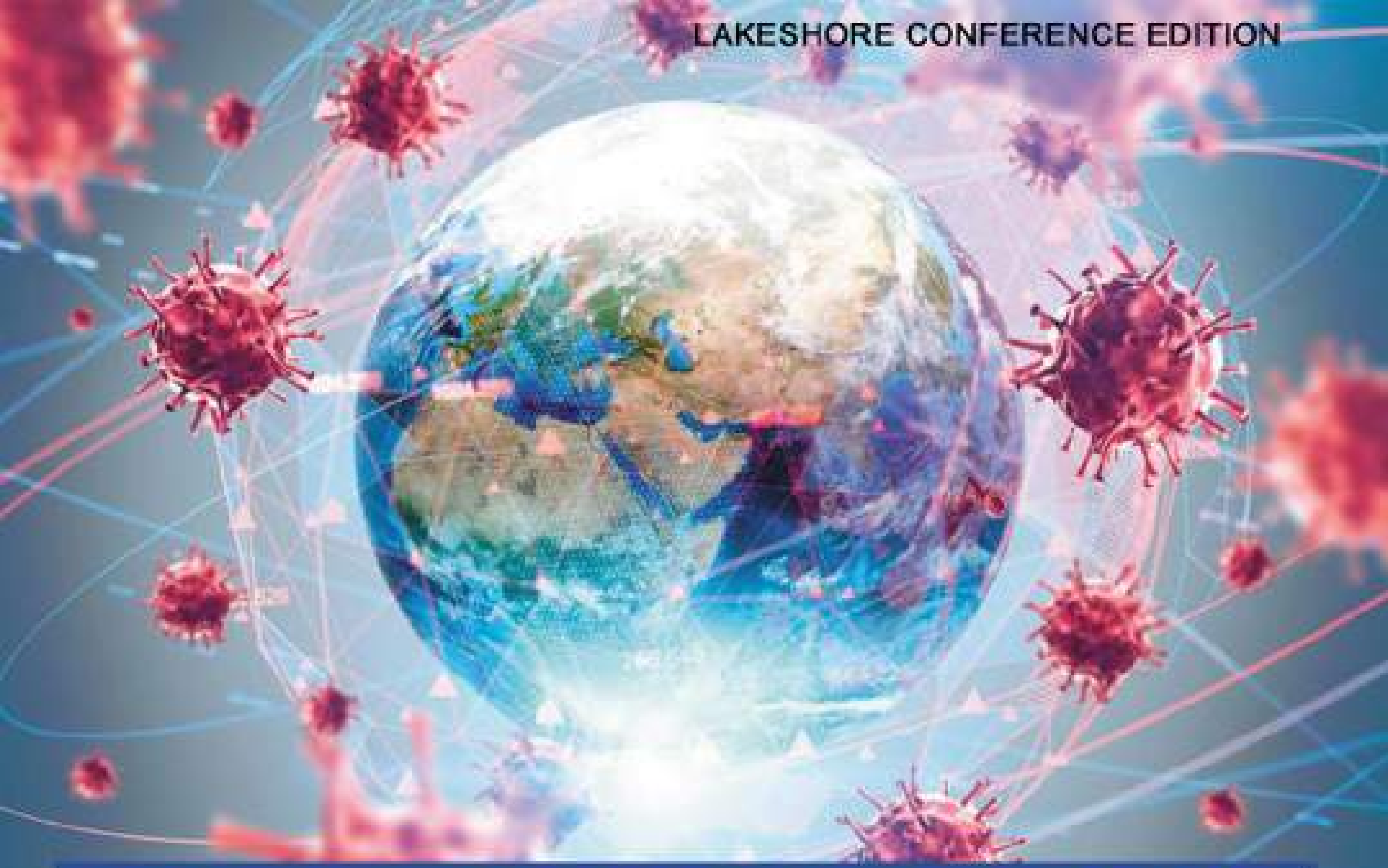
- Enhance user awareness of cyber-attacks and alerts on these.

- Monitor the use of unauthorised computers (especially for companies that have adopted a Bring Your Own Device policy) and their access to the network.

- Review the data backup policy and the frequency and adequacy of backup practices.

- Review the appropriateness of using social media and instant messaging applications for business purposes. Minimize or even prohibit the transfer of confidential and businessrelated files over social media applications.

- Communication over instant messaging applications should always involve at least two relevant key employees to avoid loss of correspondence for future reference.



TOP TEN QUESTIONS FOR YOUR SENIOR MANAGEMENT TEAM

Health experts predict that COVID-19 will be around for some time to come, and at country level, how long it remains will depend, among other things, on when governments lift the current social distancing restrictions and their ability to roll-out massive and comprehensive testing. Countries with limited testing capacity like Malawi face the major risk of a resurgence of the epidemic that may lead to further measures.

Executive are encouraged to always have a well-developed plan that will allow organisations to respond to the impact of COVID-19 efficiently and effectively, presently and in future reinfections. The following questions can assist your organisation in considering how you prepare for these impacts.

Impact on technology

1. Do you have a developed and tested plan of what to do if someone becomes ill with suspected COVID-19 at one of your workplaces?

2. Have you prepared and promoted regular 'remote working' across your organisation?

3. Has your plan considered fully utilising technology to reduce the need for face to face interactions during a set period, and if so, what is the assessment for how long you can operate in this way?

4. Do you have the right technologies in-place to enable remote working such as Microsoft 365?

5. How are you managing the risks of clients and sensitive documentation that still needs to be accessed whilst working offsite?

6. Have you developed and tested a contingency and business continuity plan for an outbreak in the communities where your business operates?

7. Do you have confidence that your plan has been sufficiently tested covering those key areas of people, process, and technology?

8. Does the plan address how to keep your business running even if a significant number of employees, contractors and suppliers cannot come to your place of business?

9. Have you identified the critical activities that your organisation carries out which must continue during a pandemic and identified your key person dependencies and minimum staffing requirements, and do you know how long this will be sustainable?

10. Have you chosen your location, will you split resource between the main office and your contingency site, do you have a contingency site to segregate the risk and in such instances where your office may need to close for a deep clean?

CONCLUSION

To best monitor the risk to an organisation, early preparation and readiness is key to ensure your plan can be activated at a moment's notice to counter what is a very fluid situation. It is imperative that your organisation, when developing a response, consider a review of plans to reflect and respond to current detailed health advice issued by the World Health Organisation and governments.

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