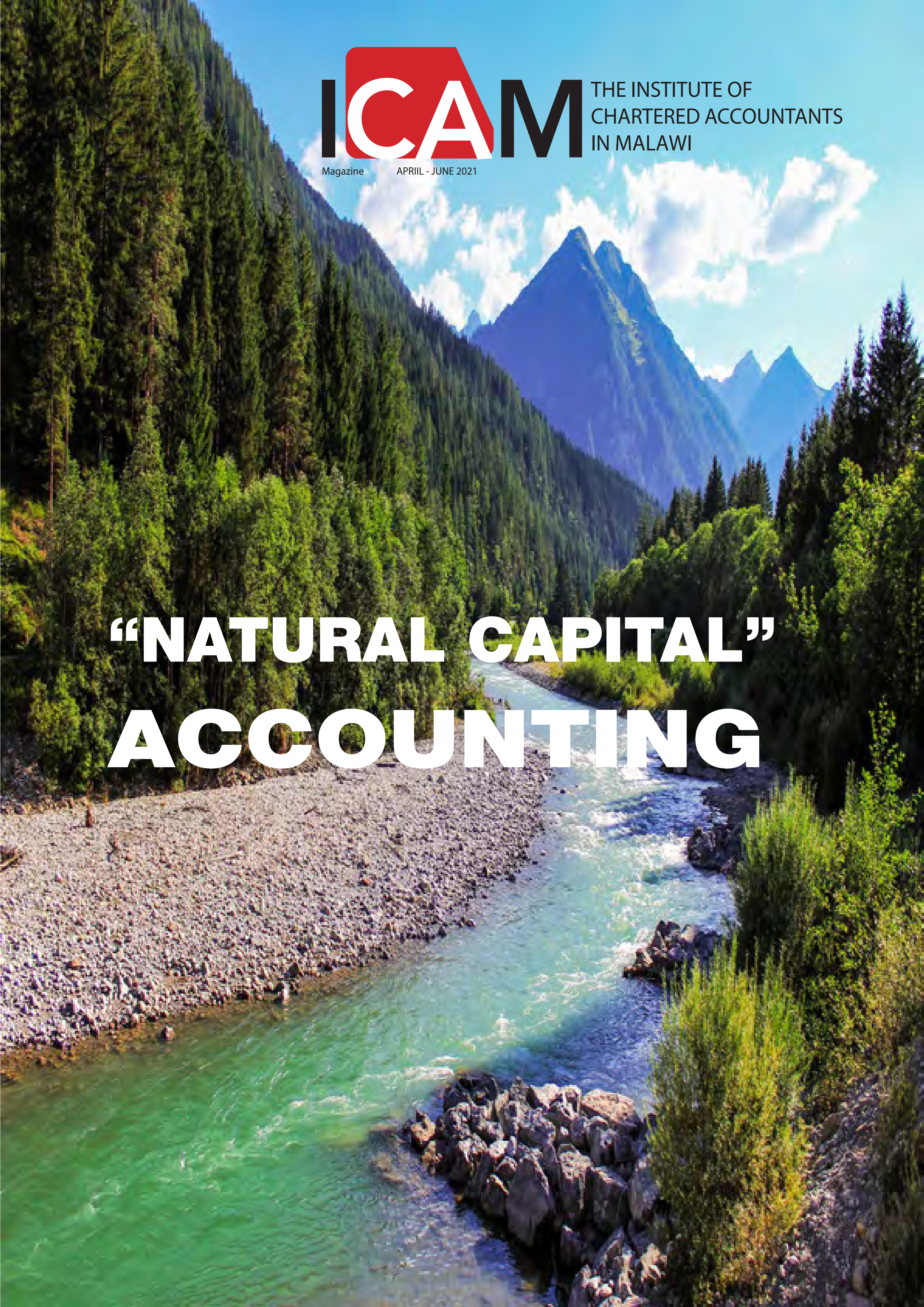
ICAM
THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI
Magazine APRIIL - JUNE 2021



“NATURAL CAPITAL” ACCOUNTING

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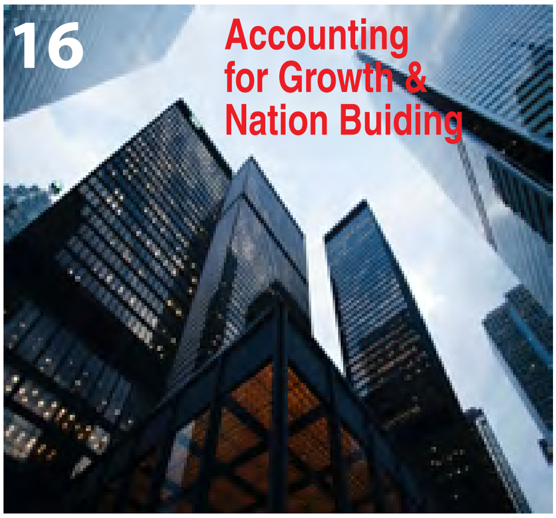

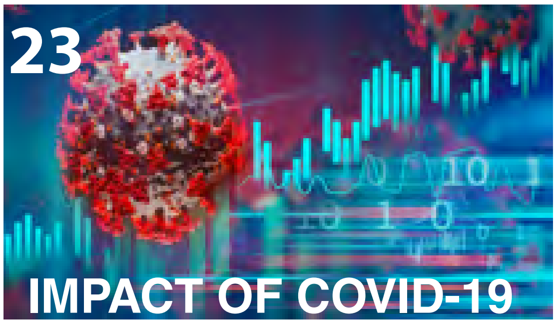

ON FINANCIAL REPORTING STANDARDS

Contents

April - June 2021 Edition

Cover picture credit: https://www.goodfon.com/

So far in the year...

Official opening of ICAM House

Best students awards ceremony

ICAM donated a tent and desktop computer to Kameza Covid Isolation Centre in Blantyre

ICAM and ACB signed a MOU to share information-relating to ICAM members

Participants to Business Forum that was held at Livingstonia Beach hotel in Salima

New ICAM members conference

Editorial

Knowledge has the power to lift people up from the abyss of challenges, fear, restlessness and disillusionment. This year has been challenging as loved ones succumbed to the monstrous COVID 19. Many of our colleagues survived but having had a stint with the menacing virus. Some jobs were lost. Some companies folded and totally ended up being wiped from the face of the earth. However, with such an environment that spelled fear and uncertainty, the world learnt the new ways of doing business; technology became the business surviving model. Vaccines came and they are making a difference.

In such an environment, it is only those that have an insatiable appetite for acquisition of knowledge that survive. This edition is therefore a repository of great knowledge that we all ought to cherish, embrace and utilise in our professional and personal lives. Natural capital accounting is becoming a key element in technical aspects and that has been covered in length and breath.

Going a little latitude, the proliferation of technology in our lives has, to a great extent, been posing some ethical challenges. How does a professional accountant remain ethical in the world of technological bombardments? Christopher Arnold shows the way in this magazine.

It is obvious of cause that big talk in Malawi at present centres at the country's agenda for development by the year 2063. A dream so it is and a dream it can only remain if professionals end up at only merely talking about it. Professionals ought to be part of the development agenda. Renowned writer Moses Chavi assesses what he terms as accounting for growth and nation building. Read through and you will align yourself among the game changers in the development agenda of this country.

This magazine further sparkles with an international touch. Courtesy of great authors in Kenya we go through articles on strategic management in competitive environment, artificial intelligence and how it is revolutionising the banking sector so too impact of COVID on financial reporting standards. By tapping on international thinking, we come to appreciate how colleagues are advancing in knowledge on technical accounting, managerial and leadership aspects.

When all is said and done, we have to keep touch with the past so that we appreciate the present and become well focused for the future. In touching base with our past, the article shares some views by Mr. Ramesh Savjani, former Chairperson of SOCAM, a predecessor body to ICAM.

Knowledge is at your disposal now. Enjoy going through all the amazing content in this edition

Patrick Achitabwino

ICAM Magazine

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VISION

A reputable and renowned professional body of chartered accountants.

MISSION

To maintain at all times the highest professional standards in accountancy, through education and training for the benefit of business, government and the nation at large.

VALUES

Independence
We strive to be objective and professional in everything we do

Transparency and accountability
We are open and responsible

Adaptive
We positively respond to change

Integrity
We do the right things even if no one is looking.

Diversity
We embrace diversity.

Leadership
We lead by example.

Message from the President

The year 2021 came while most people and corporate entities were nursing the gaping wounds caused by the COVID 19 pandemic. The year 2020 ended with ripples of economic stagnation. While there was enthusiasm that the infections were declining and deaths had started declining as well, the second wave of the pandemic hit again. At least this time people had learnt the hard way – most were complying with COVID 19 preventive measures. Of late, there has been another wave, called the third wave, which luckily seems not yet to have hit Malawi. We can only be optimistic that we will be spared from this scourge.

Nevertheless, let us remain vigilant. Let us be protective of ourselves and our loved ones. If we abide by the preventive measures, surely we will be in a position to contain the spread of this killer disease. We need to have a healthy nation. We need to have the economy on track again. Our economy has been resilient despite the exogenous shocks that cracked it. A positive mentality and the ability to do things different will see us rebounding our economy from the recesses of COVID 19. Greatly we have shown how resilient and responsive we are in curbing the spread of the disease. My most heartfelt gratitude goes to all accountants who contributed financial support towards the ICAM-driven Corporate Social Responsibility initiatives in respect of COVID 19. To a great extent, I wish also to thank all members for the support you rendered to the Institute through this trying period.

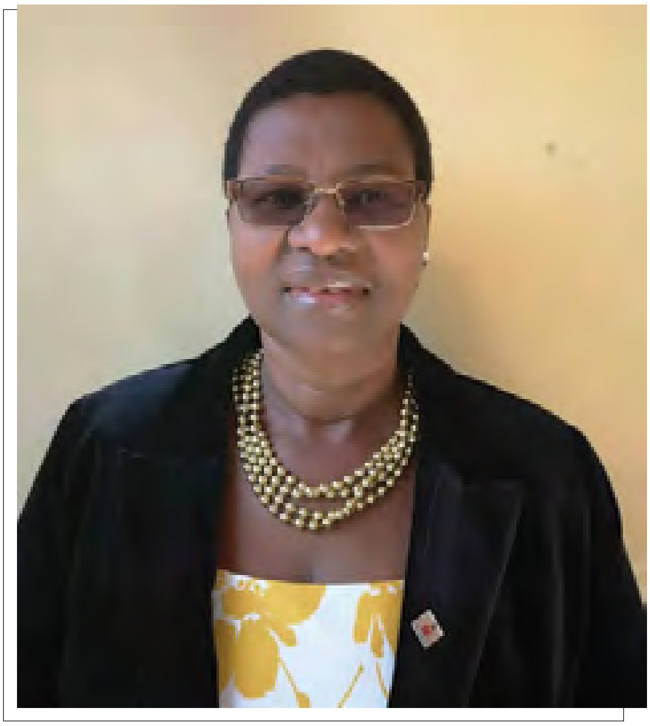
On a positive note, it is immensely pleasing to note women accountants' participation in ICAM activities has changed for the better. Starting from the governance perspective, 8 out of the 14 members of the Council of ICAM are female. At the Secretariat, 50 percent of senior management is composed of women.

Going a step further, I am seeing increased number of facilitators for CPD events and in particular the Business Forum. I recognise the women who take up such tasks when approached.

While this is being cherished and is highly encouraging, the foundation seems not to be encouraging. Women participation in Technical Committees remain almost negligible in some. In that regard, the nation is missing inputs on matters that have a peculiar interest of women. I humbly plead with fellow women accountants to seriously take great interest in Technical Committees and submit applications to serve in the committees when a call for expression of interest is made later in the year.

My remarks will surely be incomplete if I do not report on the unveiling of the ICAM House. A glamorous opening ceremony of the ICAM house took place on 19th March 2021 with the then Minister of Labour and Vocational training being the Guest of Honour. This was a befitting opening ceremony for an impressive K1.2 billion office complex which is only phase one of the entire anticipated project. Structures for phases 2 and 3 will be built in due course after funding has been identified. In the meantime, the Council through Mandala Project Committee is considering options for raising capital.

Phase one comprises an office block which has since been occupied by the Secretariat. Both phases two and three will see construction of office blocks for letting out.



The bottom line of everything is the economy. It is imperative, therefore, that I share some highlights on Malawi's economic outlook for the past few months. The Monetary Policy Committee (MPC) of the Reserve Bank of Malawi maintained the Policy rate at 12.0 percent; the Liquidity Reserve Requirement (LRR) ratio on domestic and foreign deposits at 3.75 percent; and the Lombard rate at 20 basis points above the Policy rate.

According to the World Economic Outlook Report of April 2021 by the International Monetary Fund (IMF), the global economy was projected to grow by 6.0 percent in 2021, following an estimated contraction of 3.3 percent in 2020. The projected recovery reflected the impact of fiscal stimuli in a few advanced economies and easing of the COVID-19 pandemic restrictions in most countries, following a successful rollout of coronavirus vaccines.

The Malawi kwacha marginally depreciated by 2.2 percent against the US dollar in the first quarter of 2021. However, in the period ahead, exchange rate pressures were expected to moderate, on account of the realization of export proceeds during the agricultural marketing season.

Headline inflation rose to an average of 8.5 percent in 2021Q1 from 7.5 percent in the fourth quarter of 2020. The increase was driven by non-food inflation, which accelerated to 6.3 percent in 2021Q1 from 4.6 percent in 2020Q4.

Lasty, during the quarter, some members were unable to renew their membership because they were not employed.

Phyles Tatha Kachingwe

Message from the CEO

In this noble accountancy profession learning is from the cradle to the grave. The profession is mindful that in the light of rapid changing knowledge skills and competences, a top notch chartered and diplomate accountant ought not to be complacent in enhancing his or her knowledge faculties. Regardless of the sector one is in, the appetite for new and challenging knowledge ought to be satisfied regularly. You might be in business, education, professional practice, the public sector or any other environment, still your genius factor can only be nourished with the acquisition of new knowledge that will eventually transform you into the most sought after competent accountant on the market thus in the end jealously safeguarding the pedigree of what it is to be a Chartered Accountant with the Institute of Chartered Accountants in Malawi (ICAM). Your discharge of duties further cements the reputation of the Institute.

Sadly, though it is a requirement that all members submit Continuous Professional Development (CPD) returns, compliance in this regard has been leaving a lot to be desired. The brutal honesty is that less than 20 percent of ICAM members submitted CPD returns. This does not reflect well on the entire membership. Inability to comply with CPD requirements is a disciplinary matter. It is not in the interest of the Institute to focus on the disciplinary measures to ensure that its members comply with the requirement. ICAM members are ethical and professional in their conduct hence voluntary submissions of CPD returns ought not to be a matter. It is not a secret that according to the ICAM CPD policy, CPD is compulsory and is applicable to all members whether in public practice, industry, commerce, education, the public sector or any other field.

As matters of CPD returns are at the fore, I also take the opportunity to remind members on the need for renewal of membership. Affiliation to a professional body is attached to annual membership subscription. Of cause the Institute is well aware that COVID 19 rattled the financial well-being of most institutions and individuals as well thus resulting in tough times financially. Nevertheless, members have an obligation to ensure that their membership is in good order. There are diverse benefits attached to ICAM membership. In this regard we will feature a value proposition for your appreciation.

Members are said to be in ''good standing" if they have paid membership fees for the year, submitted CPD returns and do not have cases to answer with the Disciplinary Committee. Lists for paid up members and those who submitted CPD returns were circulated to the members. Should members have concerns, they should contact the Secretariat without delay.

FCG

Francis Chinjoka Gondwe, Ph.D

"WE LAID FOUNDATIONS FOR THE MODERN DAY" – R.H. SAVJANI

By Patrick Achitabwino

As the ICAM office has an elegant look and majestically decorates the City of Blantyre, it is worth noting that reaching such a feat has its beginning from humble beginnings. It was actually the dream of the then qualified accountants upon Malawi's attainment of independence in 1964 that they came up with an association meant to work at developing future competent accountants but also contribute to the economic growth of the country.

A loosely organised association was formed and was named The Society of Accountants in Malawi (SOCAM). The Chairperson and Secretary were serving in honorary capacities.

Ramesh Savjani, former Chairman of SOCAM looks back with pride: "We set up the foundations for SOCAM and now as ICAM. I am pleased that we have succeeded in the dream that we had."

Savjani goes into the memory lane and vividly remembers that there were about 120 qualified accountants in those early years in Malawi and a majority of them happened to have been expatriates. It was essential however that a great pool of locally trained accountants be developed in the interest of economic development and growth of the country, as expatriates were expensive and often transitory.

The General Alliance Chairperson states: "We needed to have more accountants in the country so that accounting and auditing services could be provided at affordable cost."

The lakeshore conference then emerged where the profession was banging heads on emerging issues. While now the ICAM conference attracts a thousand people plus, at its onset in the expatriate-dominated profession then, about 70 people were attending the conference.

Savjani recalls: "In those years we used to hold the conference at Club Makokola. It was the only conferencing venue available along the lake in Mangochi."

A quantum leap was made along the way when the profession, in its bid to match international status, migrated from the locally developed Malawi Accounting and Auditing Standards to international standards. International Accounting and Auditing standards came on the floor and were adopted for use in the country.

Still being ambitious, SOCAM toyed with the idea to grow and make a difference. It was imperative therefore that a secretariat be established. It was during the time that Ramesh Savjani was Chairman and Nkondola Uka was Secretary that a plan was hatched to have a secretariat. Members unanimously supported the idea and the Secretariat was born with Linda Lord appointed the Secretary of the Secretariat. Then, Linda Lord was working in Bob Martin's Economic Resources Limited office.

However, such an ambitious dream had to come at a cost and SOCAM members had to bear the brunt or the dream risked dying in the pipeline.

"Subscription fees more than doubled but it was necessary as the funding we used to have was minimal and could not be enough to run a fully-fledged secretariat. We had to move away from the status quo of movement of the cabinet of SOCAM files from one office to the Chairperson to another," Savjani explains.

Eventually a separate office was created for the Secretariat, lakeshore conferences begun and having gained the trust of people, SOCAM was

at the receiving end of donor support.

As the profession was growing stronger and stretching its influence on the economy of the country, Savjani and his colleagues went on to ensure that auditing firms were being reviewed. It was not an easy process to have that agreed to. Some entities were not comfortable with independent reviewers reviewing their work; however in the end a resolution was passed to have all auditing firms reviewed.

Savjani recalls: "We brought in reviewers from outside the country. The market here in Malawi was small and we wanted to enhance the principle of confidentiality, hence going beyond our geographical boundaries to have the peer review process."

As Ramesh looks at such a humble beginning that was like a mustard seed thrown in the ground to grow, he takes great pride and pleasure in how the profession has transformed.

Savjani says: "We needed to pursue excellence in accounting and lead the profession in that regard. It has not been a one-man job. As enabling Acts and regulators were coming in to enforce compliance with standards, significant changes have been taking place over a long period of time. Many people played significant roles along the way and today we are proud of the Institute that several generations have built. Furthermore the fruits of all this work and contribution to the profession by all the stakeholders from within and outside the profession means that Malawi can proudly boast a supply of well qualified and regulated accountants."

The former accounting body Chief however warns that the current accounting generation should not confuse being qualified with being competent.

According to Savjani, who is chairperson for General Alliance Insurance, the fact that one is qualified does not mean that one is competent. If anything, people should use their qualifications to support and enhance their competencies .

Savjani observed: "Experience and skills are gained."

Emphasizing a point on competence levels Savjani said that people can be less educated but excel in their jobs, thus being more competent at discharging their duties than those that are qualified. Nevertheless, he observed that qualifications enhance knowledge and therefore ability of individuals to capitalise on their aptitude and experience in the discharge of professional duties.

Ethics, Technology, and the Professional Accountant in the Digital Age

CHRISTOPHER ARNOLD

Change is here—and more is coming—for the accountancy profession. New technologies are driving that change. This is nothing new: the profession adapted and thrived through the past century of technological revolution. But success is not a given. The profession will achieve it only with thorough and thoughtful responses to today's challenges and preparation for those to come.

The importance of ethics in the work of professional accountants will not change with the times, but the application of the profession's foundation in ethics will take different forms. As entire economies and societies digitalize, the traditionally data-heavy finance functions of the professional accountant are taking on a scale and level of complexity that in many cases exceed what professional accountants—or any one person—have been trained to handle.

Expectations for the profession continue to grow. The profession and the core competencies of individual accountants will need to evolve to remain relevant.

To adapt well, the profession must pose the right questions and find solid answers. And wherever uncertainty makes finding answers difficult, the profession must continue this dialogue with urgency and focus.

These efforts are underway. Accountancy Education is a strategic priority for IFAC. It established a comprehensive, integrated approach to respond to accountancy education challenges and opportunities in 2019. A recent summary is included in 'Progressing IFAC's New Approach to Advancing Accountancy Education'. IFAC organized a virtual four-day global summit, "The Anticipatory Accountant: Global Trends Transforming Learning & Development," on November 16-19, 2020 which focused on three broad themes: technology, the environment and society.
The International Ethics Standards Board for Accountants (IESBA) is executing its Technology Initiative, which includes an objective to identify

potential ethical implications of technology developments on the robustness and relevance of the fundamental principles and independence standards in the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code), as well as ways in which technologies could be used to support and enhance compliance. It delivered a report in December 2019, laying the ground for a substantive and timely response to ethical and public interest challenges posed by digital transformation. More recently, IESBA has established a new Working Group to accelerate the development of guidance to assist accountants and auditors navigate the more pressing ethics and independence challenges arising from evolving technologies.

During its March 2021 meeting, the IESBA approved the Terms of Reference for this new Working Group and determined a new timeline for its Technology Exposure Draft.

In October 2020, IFAC convened a group of over 30 people representing professional accountancy organizations, firms, accountants in business,

academia, and international standard setters around the world. On the agenda were the ABCDE of the digital age (Artificial intelligence and robotic process automation, Blockchain, Cloud, Data, and Ethics) and compliance with the Code under these new conditions.

Their discussion featured three defining themes:

1. How much should the Code change in response to technological advances?
2. Who is accountable for ethical issues not clearly in the scope of the professional accountant's traditional ethical mandate?
3. How much should professional accountants know about new ICT considerations that exceed traditional core competencies?

The conversation was fruitful—and it is certain to continue. The following are key takeaways from the event.

How much should the Code change and what support could be helpful?

Participants agreed that the Code provides high-level principles-based guidance for most technology-related ethics issues. Whether the Code's requirements should change—and how much they should change—was the subject of a longer discussion.

Some participants felt strongly that the Code should change very little or not at all. They argued that the more detailed and specific the Code becomes on issues of ethics and tech, the more quickly further advances in technology will render the Code outdated. They raised the concern that making the Code more specific could undermine global adoption and implementation by spurring jurisdictions to carve out exceptions for themselves.

Some argued that professional accountants do not face substantially different ethical issues, but rather, new circumstances under which they need to apply the current Code. Theft is still theft even when information, rather than physical goods, is stolen. Along the same lines, the profession needs to find new ways to do essentially the same things. A practitioner, for example, does not need to develop new services when new ways of delivering existing services will suffice.

Offering case studies emerged as a popular way forward. Rather than focusing on changes to the Code, the profession could meet the demand for guidance on new issues of ethics in tech by discussing the nuances and open questions around specific applications of the Code's principles to real-life situations. Presenting non-authoritative guidance through case studies and other materials could help practitioners interpret and apply the Code.

Who is accountable?

As business becomes more complex with digitalization and technology developments advance, questions arise on over-reliance on technology.
Artificially intelligent systems raised exceptionally broad and profound concerns. A system's logic in

producing a certain output might be clear only to its developer—or only to people with extremely sophisticated technical knowledge that match that of the developer. Some systems, especially those that feature machine learning, might give outputs that even its developer cannot explain. One participant asked, "How do you take responsibility for something over which you do not have control?" Extremely disruptive historical events, such as the COVID-19 pandemic, make relying on these systems even more challenging: because of irregularities in data, systems that learn through algorithms might be, according to one participant, "technically right but professionally wrong."

The group emphasized that greater reliance on technology in decision-making will pose dilemmas related to the Code's existing requirements on reliance on others, and that these dilemmas deserve further study. Maintaining professional judgement, according to some participants, requires the professional accountant to judge the reliability of a given system only with a complete understanding of the organization.

Photo credit: www.sdccpa.com

How much should the professional accountant know?

The need for a foundation in skills and ideas that enable growth—such as a commitment to lifelong learning, professional skepticism, and collaboration within a multidisciplinary model—was among the group's most emphatic conclusions. Not least among these concepts is professional ethics. IFAC's January 2020 call on stakeholders to re-imagine the future accountant puts the individual at the heart of future-readiness and, as a result, highlights each professional accountant's responsibility for the lifelong learning and career development that will enable success in the digital age. A passive, compliance-based approach must give way to an active approach tailored to each individual.

ICT expertise is becoming more important for the professional accountant in the digital age. Per one participant: "How do professional accountants know what they do not know?" Education and training that help the professional accountant keep pace with technology developments will be crucial, and some in the group suggested professional accountancy organizations (PAOs) should play a big role in providing it.

The group agreed that how much a professional accountant should know will vary by role. In one role the professional accountant might need skills necessary to interrogate, synthesize, and analyze data, while another role might call for the skills necessary to collaborate with data scientists. For some participants, it was essential that professional accountants—irrespective of their roles—know enough to understand what is being said, ask the right questions of those providing data, and make sense of data to aid decision-making. One participant said, "The professional accountant cannot put his hands up and say, 'the machine told me' … [and] cannot accept data without understanding the underlying logic without applying enabling competencies such as critical thinking, professional skepticism, professional judgment."

Expanding a collaborative dialogue

All participants in the event urged that as the swift pace of change raises new questions about the fitness of the profession—including its international standards—for the digital age, collaboration between all stakeholders will be essential.
IFAC encourages its members to join this dialogue. A recording of the event is available here.

Do you have additional comments? Do you have examples of ethical issues or case studies you could share? Do you have guidance that might be useful to PAOs and their members? If your answer to any of these questions is "yes," please contact us at communications@ifac.org. As we receive feedback, we will continue sharing thought leadership on the Knowledge Gateway.

"NATURAL CAPITAL" ACCOUNTING METHOD MIGHT GIVE NATURE AN ECONOMIC VOICE

UN adopts way of putting a dollar amount on nature, but some question the idea.

DOUG JOHNSON

Is there a way to put a dollar amount on pristine forests or marshlands? The United Nations believes so—and that the ability to do it might be a valuable step toward combating the slew of environmental challenges the world faces. In mid-March, the UN adopted the System of Environmental-Economic Accounting—Ecosystem Accounting (SEEA EA) framework, a "landmark" way for countries to report on their own natural capital.

"Our dependence [on nature] must be acknowledged, must be recognized. It must be captured and accounted," said Pushpam Kumar, chief environmental economist of the United Nations Environment Programme.

The framework's focus is on natural capital, a monetary representation of the value of nature—and its ability to provide food, air, water, and income for humans. Proponents of natural capital say that it can help countries, businesses, and other organizations make more informed decisions about how they use natural resources. However, some criticize the idea that nature should be measured this way

Putting a price on it

SEEA EA is designed to be used by countries to evaluate their ecosystems, the benefits they bring, and their impacts on natural spaces as a whole. Basically, a country gathers environmental data about their ecosystems, applies the framework established in SEEA EA, and receives a monetary representation of their natural capital. According to Kumar, the framework can also be applied to smaller parcels of land or water within a country, and there are other qualitative descriptions of the economic boons of nature that come from it as well.

The data gathered takes into account various factors, like the size and condition of countries' ecosystems, which would include soil depth in a forest, for example. It also takes into account the services the ecosystem provides, like a forest filtering water before it reaches streams and rivers; the benefits it provides, like cleaner water and reduced water treatment costs; and the beneficiaries, such as the humans within an economy whose lives are improved by nature.

The sum yielded by a SEEA EA analysis is similar to the concept of gross domestic product (GDP), but it measures the value of nature. It can be used as a comparison against GDP to note the cost of economic growth on a country's ecosystems, Kumar said. It also highlights that some countries with low GDP can have a wealth of natural value in the form of healthy ecosystems and biodiversity.

Natural capital reporting has been implemented in the past. For example, in 2014, Sweden turned to the concept to help inform its carbon tax policy. The SEEA EA has also been partly rolled out in various other countries such as the Netherlands and South Africa, back when it was still in its experimental stages.

But according to Martin Lok, executive director of the Capitals Coalition—an organization that brings together businesses, governments, and academics to embed the value of nature into decision-making—the UN framework can standardize the methods and metrics behind natural capital reporting. This could also ensure that a country using SEEA EA is able to adequately compare itself to its peers, as they would be using the same framework.

Implementation challenges

Natural capital could encourage countries and companies to restore nature, or protect other pieces of it, to maintain the environmental-economic strength of an area. It could impart the idea that in order to take something from nature, there's a need to give something back, Lok said.

Some challenges may likely exist in actually using the framework, however. Environmental data may not be as readily available in some countries as others. For example, the Netherlands has advanced environmental reporting within its borders—not every country has the capacity to do that. Further, Lok said, just because the UN adopted the framework, that does not necessarily mean that every country will use it

According to Robert Fletcher, environmental anthropologist at Wageningen University in the Netherlands, the UN adopting this framework will likely increase interest in natural capital as a concept. "I think it will confer even more legitimacy on this perspective," he said.

The concept is not without its flaws, Fletcher said. While the researcher has no issues with natural capital in concept, he doubts that it will be effective in changing the course of economic development. Companies and countries already know that their profit often comes from extracting natural resources and that this process often harms the environment. But it has not slowed how much they extract from the ground. If the world were to fully integrate natural capital reporting into its decision-making, it would also seriously diminish profits.

"There's this idea being perpetuated that you can have social support, environmental support, and a significant rate of profit. I just don't see how those things can be reconciled," he said.

Better options

It's possible that focusing on natural capital could "crowd out" or draw attention away from other conservation efforts that might provide stricter protections. In other words, government regulation and international agreements might be more effective than accounting at compelling companies and countries to start reining in their natural resource exploitation.

"The more people focus on a natural capital valuation, the less space there is to consider these other options," Fletcher said.
Also, using natural capital as a decision-making metric might encourage a country to protect or regenerate some of its natural spaces to offset extraction in others. But it might not be enough for them to simply keep the resources in the ground, Fletcher said.

"There needs to be some sort of framework that holds accountable, and in a way forces them ... to limit resource extraction," Fletcher said.

But according to Lok, there's still room for other environmental protections with natural capital around. The reporting system can help decision-makers understand the role of nature in the economy. This doesn't prevent countries from enacting other environmental protections. Further, nature is currently not taken into account much when it comes to making economic decisions.

"In many cases, [nature] is getting, if I may put it bluntly, a financial value of nothing," Lok said.

Doug Johnson (@DougcJohnson) is a Canadian freelance reporter. His works have appeared in National Geographic, Undark, and Hakai Magazine, among others.

ICAM Senior Management Team:
(Left to right) CEO, Dr Francis Chinjoka Gondwe; Director of Education & Trainng, Chrissie Jere Director of Corporate Services, Zaithwa Phambana; Director of Technical & Membership Services, Charles Chimpeni.

Accounting
for Growth & Nation Buiding

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.

Accountants are integral in the development of national and corporate operational frameworks

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 redundant, phony, unnecessary, 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.*

IN COMPETITIVE ENVIRONMENT

Barry Mutapa (GZica)

The ever-rapid growth in the external environment has drawn more energy on the resources and organisational capabilities as the main source of competitive advantage for many organisations. The desire and will of organisations to be different hinge on how best they integrate their innovation management practices.

The purpose of this article is to demonstrate that a good strategic plan is what makes multinational or small enterprises succeed in fast paced, changing economic environments. To survive stiff competition and position itself, an enterprise can use opportunities identified through smart tools such as SWOT Analysis, Benchmarking, Porters Five Forces, PESTLE Analysis to evaluate the economic opportunities that drive the maximisation of the groups wealth.

Strategy is the direction and scope of an organisation over the long term, which achieves competitive advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stake holder expectations, according to Pearce and Robinson (2009). Strategy is a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives.

Strategic planning and analysis is the process of a company examining its own internal or corporate characteristics and capabilities, identifying the most critical features of the external environment within which the company must operate, according to John-

son, Scholes, and Whittington (2011). The process is used to identify, analyse and understand the areas of concern which may be: internal operations, financial muscle, weakness of the firm, the external environment, threats, opportunities and drawbacks it faces in the competitive environment within which it operates. This is the strategic process where a company constantly learns from the environment it operates in and innovates new ideas of mastering the opportunities and courses of action.

The philosophy of the company, according to (Bart & Baetz, 1998, David, 1989, Ireland & Hitt, 1992), is to uphold integrity, fairness, honesty and professionalism as well as ethical behaviour among employees by constant strategic thinking which visualises what might or could be for the company given the ever changing environment. This behaviour is what will keep the company competitive. Because the global market is evolving in terms of technology, organisational learning from both past experience, and industry rivals and competitors, benchmarking and anticipation of future outcomes through resource application are core pillars of behavior which management could be centred on.

The organisation's strategy formalisation will be a top-down approach where decisions are made without the involvement of employees. Andersen (2000) believes this is a quick way of strategy development.

According to Modern (2006:15), strategic management is concerned with the purpose of the organisation that provides the framework for decisions about all stakeholders such as the customers, government, suppliers, communities, leadership, risk, finance, products, systems, technologies, location, competition, time and resources.

In today's global market, organisations need to evolve if they are to retain a competitive edge over their rivals and would-be new entrants and as such a tool known as PESTLE is used to constantly analyse the external factors and their implications on organisations. Managers irrespective of the level or the position they hold in the company need to know how to apply this tool as it is essential in the changing world and can help contribute to;

1. New product or service launch
2. New market share in the region
3. Decision making during strategy formulation either on corporate, operational levels in the company etc.

A PESTLE analysis is carried out on economic factors a company would face presented together with the initiatives or tactics a business may employ to remain profitable in a competitive environment.

The technological element of PESTLE, for example in the cement manufacturing which heavily relies power supplied by the Zambia power utility – Zesco Limited – with a high tariff cost; which increases the cost of production. Therefore, a company could invest in new technologies to produce own power (electricity) using thermal generation (coal), which can easily be sourced locally from Maamba Collieries Limited situated in south ern Zambia. The resultant cost reduction this new technology will bring about would lower the cost of doing business. This will help the company have competitive urge with potential to penetrate the market with products that are favourably priced. Lower pricing method will stir the company for competitive advantage.

The economic element of PESTLE will for example look at Zambia's inflation, which is currently two digits, and may affect the cost of borrowing from banks and financial institutions. High lending rates affect the cost of production

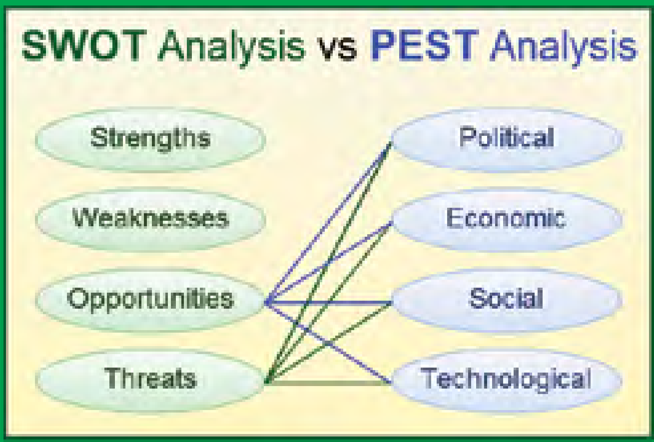
and ultimately pricing, profits, salaries and wages.

The implications of PESTLE analysis for an organisation are:

1. The analysis in some cases will increase the costs of production and reduce profitability, e.g. Increased Exchange rates, high inflations under economy elements

2. It will help the organisation to reposition itself and readjust operations, seek opportunities where they can take advantage because not all are adverse and areas where they can cut costs.

3. Undertaking such analysis requires highly skilled manpower, which would need resources to maintain.



In short, a PESTLE analysis would help a company rethink and re-strategise on better services and activities through by establishing the external factors that could impact decisions made inside the organisation that would help have a competitive advantage over rivals in a changing environment. An organisation on its own cannot affect these factors – nor can these factors directly affect the profitability of an organisation, then be used to populate the opportunities and threats in a SWOT analysis, make decisions based on the insights and conclusions drawn.

On long term strategies, corporate managers should come up with long term strategies which are put into a theme like statements, the organisations will print brochures/booklets and do presentations to the organisations through functional managers who will in turn break down the objectives into action plans, according to Pearce and Robinson (2007). With strategies such as low cost model of doing business, differentiation in products and other services like customer services and combine them with grand strategies which provide basic direction for strategic actions e.g. market development, product development, mergers and acquisitions of new companies, turnarounds which is outsourcing or offshore sourcing of labor and other services to reduce company costs of business.

Diversification of products to spread the risk is another grand strategy a company can pursue.

On short-term strategies, this is the stage of implementation of long-term strategies into action. Here functional heads of departments and section supervisors will come up with action plans to implement the grand strategies by breaking them into actions or activities usually for six months to one-year period. The idea is to implement by setting targets and goals to achieve them. This helps to raise feed back, correction and evaluation of the actions in line with the mission statement. There will be priority in action plans as some actions deserve priority attention and time frames to implement for their impact on a strategy like (Pearce and Robinson, 2011:269) said.

Short term strategies of outsourcing (the acquiring a service, or product or activity from outside the people or considerations controlled by that acquiring company as defined by Pearce and Robinson, (2011) which is cost reduction method of doing business shall be employed to cut costs of production.

To achieve these, a leadership with relevant qualifications and experience would be employed. Organisational learning will be a constant behavior among employees and managers. This work culture is what will differentiate the organisation from competitors. A learning organisation is an organisation skilled at creating, acquiring and transferring knowledge through modifications of new ideas and innovations. These employ a type of leadership style known as Transformation. Leadership that is charismatic with the characteristics of idealised goal-that proposes a future better than the status quo; and is able to clarify the importance of the vision in terms that are understandable to others. A leader willing to tackle high risk ventures that yield high returns, incur high costs with an engaging attitude with self-sacrifice to achieve set objectives in a long run.

In conclusion, it is clear from authors and strategists who have written about strategy development that no matter how good a strategy is on paper, what sets apart a good business plan is the will, attitude and behaviour of managers who translate the corporate strategies into actions through a robust implementation with a questioning attitude that constantly thinks strategically, learns from both internal and external environments and then finds opportunities using their strengths to position the company for success and re-strategise in order to adapt with changing economic factors that arise during the course of doing business and finally be different from competitors on the market.

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ICAM THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

The 2021 Lakeshore Conference

IS ON THE CARDS

Theme:

NAVIGATING THE ROUGH ECONOMIC TERRAIN:
MOVING FORWARD REGARDLESS OF CHALLENGES

Guest *of* Honour

Right Hon. Dr. Saulos Klaus Chilima
Vice President of the Republic of Malawi

When? 16^{th} - 18^{th} September 2021

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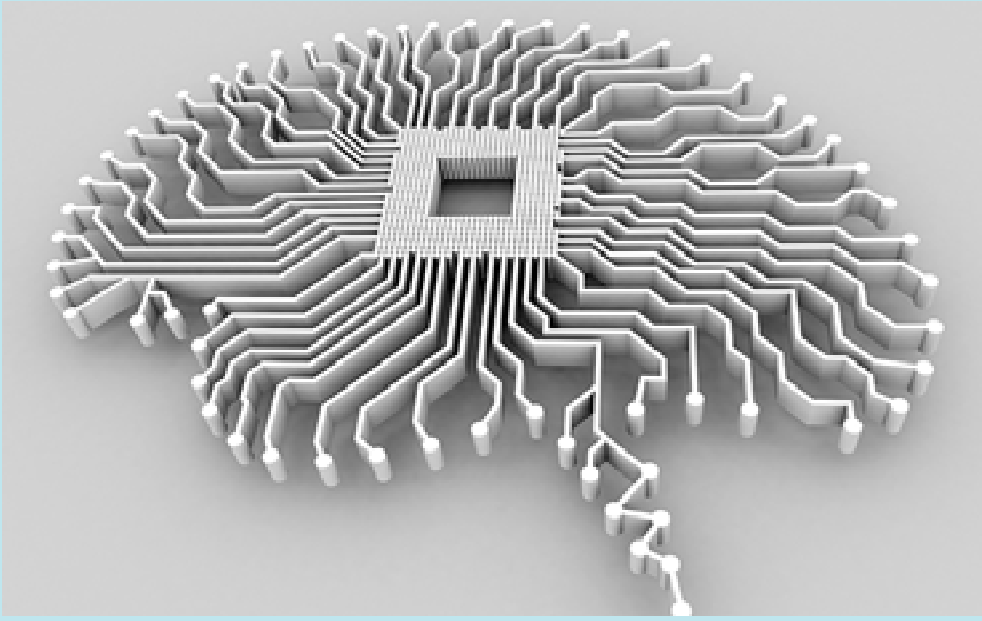
Artificial Intelligence is revolutionising banking

Cyrus Gitau



We must confess that banks are the ones that have recognized the potentials of Artificial Intelligence at a very early stage and adopted it in their transformation journey. They have adopted Artificial Intelligence to redefine products, processes and the strategies. This include predictive and cognitive capabilities enabled through cutting-edge technologies like Machine Learning and Deep Learning.

Machine learning is a subset of AI that provides systems with the ability to learn and improve from experience without being programmed explicitly. It involves development of computer programs that
can access data and use the data and algorithms to learn patterns, behaviors, trends, etc. and give outputs. On the other hand, deep learning uses multiple layers to progressively extract higher level features from raw data.

One of the main reasons behind the growth of AI in banking is that banks are in a data intensive business, So they can't avoid artificial intelligence which is again a technology that can provide intelligent predictions and recommendations by processing multiple data.

Moreover, banks have access to financial details of their customers and know them far more intimately than probably any other business. With AI they can make highly relevant recommendations about financial products and services to their customers by leveraging such details. Also, as AI applications have the capabilities of automating many repetitive manual tasks, are playing the role of a game changer in banking.

There are lots of AI applications coming up in areas like Anti-Money Laundering and Regulations. This is because it's very easy for an AI system to analyze lots of data at its finger tips and determine the patterns and better identify frauds, money laundering and criminal activities quickly.

Smart wallet has become an area of interest for the banks. Banks are providing smart wallets to its customers. These AI enabled smart wallets will look at customer's spending habits and learn from his/her behavior to provide smart advice and recommendations of future spending. It will encourage savings and responsible spending in the form of predictive alerts and recommendations.

Similarly, AI can detect if a customer is likely to switch their products or services, this early signal will help banks to offer him/her a more suitable product which may help retain the customer.

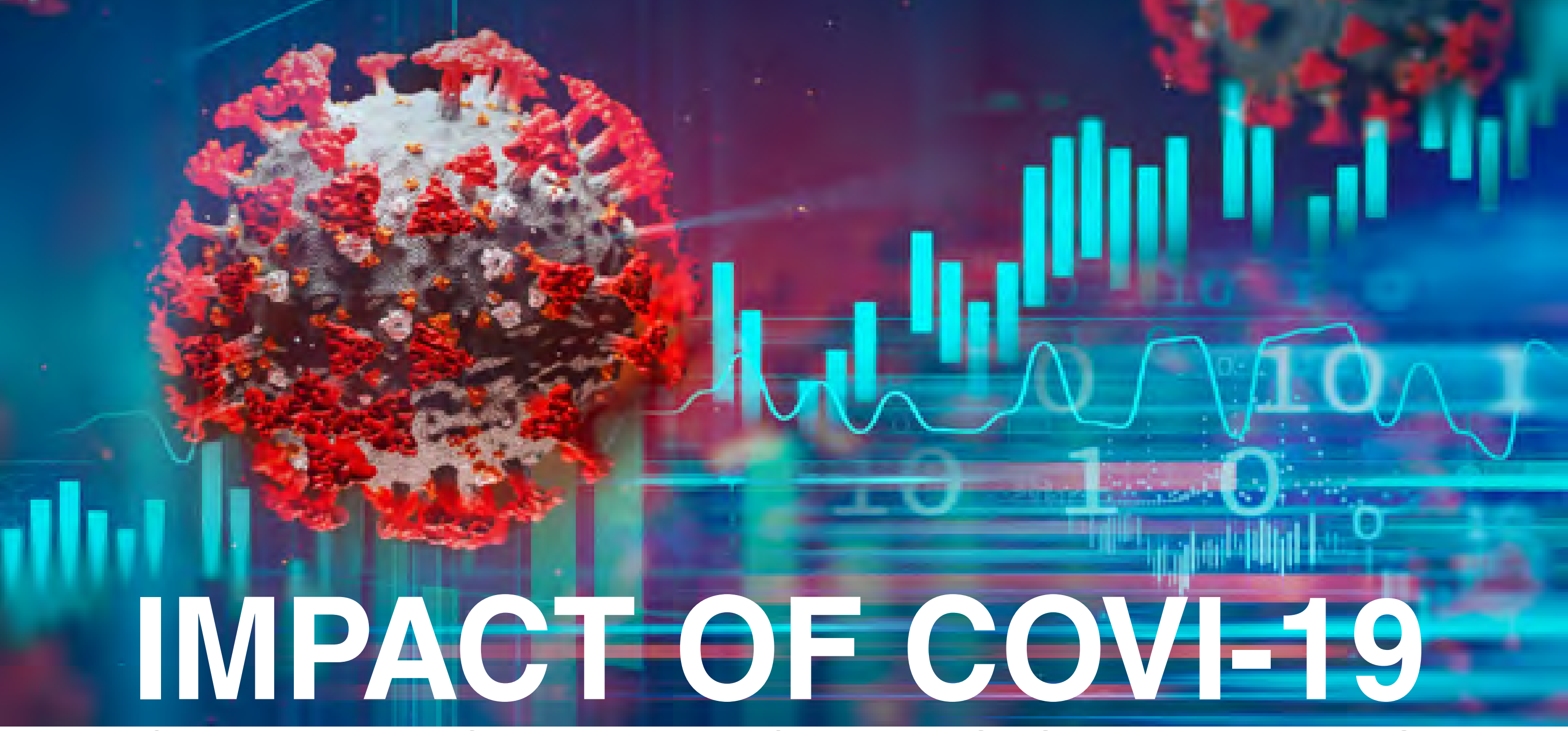
These AI enabled smart wallets will look at customer's spending habits and learn from his/her behavior to provide smart advice and recommendations of future spending.

Now coming to the Risk and Credit assessment areas, today if you want to apply for a loan, in a conventional way then a personal loan takes couple of weeks or may be even more to clear all analysis process before approving such loans. With Artificial Intelligence the processing lead time has come down to an hour or two maximum. This is because AI is capable of doing credit assessment in a much faster and better way by interrogating various customer data sources in the data mat. We are already experiencing the change in the interface the banks are having with their customers.
They are increasingly changing those to Chat Bots and robots as their first line of interfaces with their customers to enhance service experiences.

Also there are lots of AI applications coming up in areas like Anti-Money Laundering and Regulations. This is because it's very easy for an AI system to analyze lots of data at its finger tips and determine the patterns and better identify frauds, money laundering and criminal activities quickly. It can also highlight these to bank authorities well in advance so immediate action can be taken to arrest those activities.

Other areas in which AI is booming in the financial sector are human free branches; where they can use machines to serve customers end to end.

It will be interesting to see how AI will shape accounting and auditing in banks and the accounting and auditing profession as a whole. This is because data that used to be audited for



IMPACT OF COVI-19 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. 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 loss 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 IFRS 13 Fair Value Measurement – FVM

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. Such volatility and assumptions used in the fair value measurement of such assets should be captured well in the disclosures for ease of understanding of the consumers of the reports 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.

TOP UP PAPERS (ACCELERATED ADMISSION TO DIPLOMATE MEMBERSHIP)

The Institute of Chartered Accountants in Malawi (ICAM) is a Professional Accountancy Organisation (PAO) in Malawi. ICAM took over and merged the operations of the Society of Accountants in Malawi (SOCAM) and those of the Public Accountants Examination Council (PAEC).The merger of SOCAM and PAEC to form ICAM was facilitated by the Public Accountants and Auditors Act (Act No 5 of 2013).

Section 26 of the Public Accountants and Auditors Act states that every person working as an accountant in Malawi should be registered by the Malawi Accountants Board (MAB) through the Institute. However, some accounting qualifications have been assessed to have shortfalls, and therefore holders of such qualifications fail to meet registration requirements.

TO PROSPECTIVE ICAM MEMBERS

ICAM is pleased to inform prospective members that it has introduced Top Up (Accelerated Admission to diplomate membership) Papers which will be sat at Level 1 of the Chartered Accountant Malawi Program as follows:

- Legal Framework: This is for individuals who have shortfalls in Company and Business Law. ACCA students, CAT graduates, holders of accountancy degrees from other countries and accredited business administration degrees are eligible to take this paper.
- Principles of Taxation: This is for individuals who have shortfalls in Taxation. ACCA students, CAT graduates, holders of accountancy degrees from other countries and accredited business administration degrees are eligible to take this paper.

Mode of Operation

The papers, are administered at each examination session (June & December). The Institute is pleased to inform the students that these examinations will also be administered at the September 2020 Examination Session. The examination fees for the papers is as follows:

Legal Framework	MK55,000
Principles of Taxation	MK55,000
Student ID charge	K7,500
Membership Registration fee	K55, 000

Please note that study materials are available on the ICAM website but will only be accessed if an applicant registers for an exam.

Those that wish to sit these papers should apply by sending an email to icam@icam.mw.

Should you require more information, please contact the following:

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5 Ethics Challenges *that Will Intensify as the Pandemic Wanes*

IESBA-NSS COVID-19 WORKING GROUP

For more than a year, the world has been duly tested by the challenges resulting from the COVID-19 pandemic. In response, professional accountants have shown tremendous resilience. However, as jurisdictions around the world progress toward a more hopeful future, the ethics challenges the accountancy profession and stakeholders face are far from over.

In fact, they might intensify.

As the pandemic fades, many entities will be eager to demonstrate their potential by posting quick wins and an accelerating recovery. Others will continue to navigate the intricacies of government support schemes, and, as those taper, some entities will find themselves on the brink of insolvency. Just as the economic impacts of this crisis unfolded in an uneven and unpredictable manner around the world, so too will recovery efforts. Professional accountants must anticipate a continued period of heightened uncertainty and prioritize their ethics responsibilities all the more.

Since Q2 of 2020, members of a Working Group formed by the International Ethics Standards Board for Accountants (IESBA) and National Standard Setters (NSS) from Australia, Canada, China, South Africa, the U.K., and the U.S. have been meeting regularly to discuss the key ethics issues exacerbated by COVID-19. The Working Group's charge is to develop implementation support to assist professional accountants in effectively applying the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) when facing circumstances created by the COVID-19 pandemic.

Below is an examination of several ethics considerations that will be especially pressure tested during this period of recovery. Facing these conditions simultaneously demands renewed focus on the dynamics that exist in the relationship between professional accountants and entities as they face extraordinary circumstances for at least the next few years.

1. Pressures from an Uneven Economic Recovery: Accountants Must Be Agile Yet Resolutely Committed to the Code of Ethics

Every entity, sector, and jurisdiction will emerge from this global crisis differently. While at least one dose of the vaccine has been administered to approximately 60% of people in Israel, 52% in the U.K., 43% in Chile and the 45% in U.S. as of early May 2021, other countries do not anticipate vaccine availability increasing until at least the second half of the year. For professional accountants, that might mean working within employer organizations and serving client entities that are in vastly different stages of recovery. The truth of the matter is even when an economy fully reopens, there is likely to be at least 12-18 months more of rebuilding and playing catch-up that still has to occur. During this time of profoundly uneven progression, professional accountants will be under huge strain.

We all face a new reality ahead. The pandemic created myriad opportunities for unethical behaviour. The uneven recovery might breed more of these opportunities. These might arise, for example, from increased estimation uncertainty because previous estimations established during the pandemic will be based on facts or assumptions that might no longer apply. In the context of audits of financial statements, pressures from the client and from the rapidly shifting landscape during the recovery might weigh on judgments and decisions regarding the use of non-traditional audit procedures without proper regard for the fundamental principles of objectivity, and professional competence and due care.

Agility will be a critical skillset in navigating the uncertain months and even years ahead. Importantly, while remaining nimble, professional accountants must continue to adhere to the Code, including applying its conceptual framework in these atypical situations.

2. Demands for Greater Support and Efficiency: Auditors of Financial Statements Must Carefully Consider Independence and Familiarity Issues

In the coming months, auditors of financial statements must balance a multitude of unexpected variables. Client demands will likely increase and fluctuate widely. Audit firms will be asked to do things, formally and informally, to support and advise their clients. It's imperative that auditors continue to acknowledge that the provision of a non-assurance service to an audit client, including advice or recommendations, might create independence issues and heighten ethics pressures. For example, auditors must be cognizant of the pressure to turn a blind eye, act without due care, inadvertently take on a management responsibility for an audit client, or provide inappropriate opinions on the viability of business operations and assets that have likely fluctuated tremendously. In some jurisdictions, such as the U.K., missed filing deadlines and the failure on some companies' part to apply for extensions have led to automatically downgraded credit ratings. As a result, companies are pressured to have their audits completed quickly at any cost. The ethical responsibility to comply with the Code's fundamental principles of integrity, objectivity, professional competence and due care, as well as professional behavior must remain top of mind.

In the wake of particularly challenging financial periods, some entities – especially those that are small and less complex – might want to avoid the additional complications and costs of engaging more advisors and feel inclined to streamline professional support by turning to their auditors. Auditors that provide such non-assurance services (NAS) to audit clients must continue to comply with the Code's NAS and Fee-related provisions. In particular, auditors should be on the lookout for changes that might affect an audit client's ability to make all judgments and decisions that are the proper responsibility of management. Further, it is important that the pressures of the pandemic do not undermine the auditor's obligation to identify, evaluate and address threats to independence that might arise from the provision of such NAS.

The business environment in which the broader accountancy profession operates has gone through unprecedented changes. Such changes have implications on employing organizations, the internal operations of firms, the clients they serve, as well as the nature of certain client interactions and relationships. For professional accountants to maintain the highest standards of ethical conduct, and where applicable, be independent, they must remain alert to new information and changes in facts and circumstances. For example, think about public companies that link the finance team's compensation to the organization's performance. In such instances—especially at a time when these companies might be struggling financially—professional accountants (both in business and in public practice) must be keenly attuned to what motivates management, and how these motivations might bias key performance factors or indicators such as revenue forecasting, assumptions and estimates.

3. Risks Regarding Rapid Digitalization: Accountants Must Be Alert to Cyber Crimes

The rapid speed of digitalization and tech adoption has raised questions about how accountants and firms are to identify, evaluate and address threats to compliance with the fundamental principles and independence that might be created by the development, use and implementation of technology. In Australia alone, 79% of small and medium businesses say they are expanding software purchases for a more digital future, according to a Gartner study. Nearly half say digital solutions upgrades are happening as a direct result of the pandemic. Even under the best circumstances, the acceleration of digital transformation presents risks. In crisis circumstances, those risks increase exponentially.

For example, the pandemic saw cybercrimes and fraud increase globally as unusual and remote circumstances were taken advantage of and new ways to exploit a broader and deeper range of organizations and individuals were found. In the U.S., cybercrime reports nearly doubled in 2020, according to the Federal Bureau of Investigation. The U.K. saw at least a 30% increase. In parts of Latin America, cybercrimes spiked 60% in the early months of COVID when compared to the same period in 2019. This stark trend is unlikely to abate during the recovery phase, highlighting the continuing challenges to adhering to the fundamental principles of integrity, objectivity, professional competence and due care and confidentiality, especially as companies might have skipped steps or cut corners on cyber security and related measures to keep doing business in the remote environment. Professional accountants and firms should consider whether circumstances may warrant the use of specialists during this time to assist in identifying, evaluating and addressing new risks, such as cyber threats.

Moreover, as jurisdictions see some return to pre-pandemic norms, many entities will likely choose not to return to fully in-person workplaces, and many professionals, including accountants will elect to continue working remotely where possible to preserve the flexibility afforded to them during COVID. Employing organizations must become ever more diligent and innovative in transitioning back to in-person work. It is critical to consider architecting hybrid or virtual protocols that consider best practices, including for example, data hosting and management functions while faithfully abiding by ethical obligations. The risks of complacency are far too great. Professional accountants must apply a deeper understanding of data analytics and technology to their work while being fully attuned to the ethical risks in order to uphold the profession's good reputation.

As professional accountants continue to evolve ways of working in a world that is more hybridized, with companies operating from both offices and employees' homes, several personnel factors should be considered. First are concerns about the skills required to operate effectively and ethically in a more digital environment. The profession will need to further invest in professional competencies regarding technology and information systems. Related to that are concerns around capabilities and learning for new talent, who might be at a disadvantage stemming from a lack of in-person interaction with more senior colleagues.

4. Burnout and Mental Health of Teams and Talent: Accountants Must Strive for Resiliency and Solutions

There is growing concern around mental wellness and the state of mind that is required to think critically, rather than just accept information at face value. More than a year into the pandemic, individuals are under immense stress and many are suffering emotionally. In 2020, various studies showed that many adults in jobs that did not normally require them to work outside of their homes reported symptoms of depression and anxiety.

The accountancy profession must be cognizant of the mindfulness required to act competently, with integrity and due care, and to be objective in exercising judgments without being compromised by bias. As such, professional accountants must be conscious of issues colleagues could be facing—and not talking about—that might impact judgments and ethical decision making.

The need for strong organizational culture, with established and open communication channels, as well as protocols for how to address circumstances where staff might not be able to bring their full mental acuity to a particular task or job, is essential as complexities and stressors proliferate.

5. Predisposition to Focus on the Past: Accountants Must Recognize the Shift and Focus on the Future

One of the biggest challenges professional accountants face amidst the pandemic recovery will be continuing to seek out a better understanding of the issues that still lie ahead and what the ethics consequences of them might be. For example, the pace of digital transformation and use of technology such as machine learning automation in products and services has been unprecedented. In addition to the challenges related to cyber security and fraud mentioned above, it is imperative the profession stay on top of responsible automation.

As trusted advisors, it is the duty of professional accountants to be competent in these advancements where they are involved in their development and implementation. This involves attaining and maintaining the knowledge and skill required for the job. In the context of today's world, this means learning how to properly understand threats to the fundamental principles of ethics from the technology. As new or unresolved issues from the pandemic emerge, it will result in higher degrees of uncertainty which will make it increasingly difficult to keep a focus on evolving the profession for the future, but this will be a necessity. Together, professional accountants must acknowledge how the pandemic changed companies and social norms and strive to be a step ahead.

Professional accountants, like others in the workforce, are operating within an unusual context right now. Around the world, corporate priorities and public expectations are changing rapidly. These changes will have implications on the accountant's role. For example, the rise in stakeholder capitalism and subsequent call for Environmental, Social and Governance (ESG) reporting are leading investors to not only seek more reliable and comparable information in the area of ESG reporting, but also obtain assurance on such information. Professional accountants must answer that call.
While we begin to realize life beyond COVID-19, we must all be increasingly thorough in assessing the impact these changes are having on views and perceptions about ethics requirements, especially as it relates to the relationship between the accountant and the entity. Just as the pandemic increased risks of unethical behaviour, efforts to rebuild will equally increase opportunities to evolve for the better.

This publication was developed by a Working Group formed by the International Ethics Standards Board for Accountants (IESBA) and national ethics standard setters (NSS) from Australia, Canada, China, South Africa, the UK and the US1. The publication has also benefited from the input of the Staff of the IESBA.

All you have is your integrity:

Why leave your integrity to chance ?

Everyone knows right from wrong. Right? Wrong. People disagree about the definition of right and wrong all the time. That is why the topic of business ethics is currently front and center in the media and in office break rooms.

When daily, the next Enron, Arthur Andersen, or WorldCom story hits the wires, it's difficult toignore business ethics as an issue. And, as our world becomes more complex, sometimes theright answer, the one that meets the needs of the most stakeholders: employees, customers,potential employees, shareholders, and board members, lies somewhere in the middle.

Business Ethics Challenges

Think about these business ethics scenarios that happen in organizations every day. An employee surfs the Internet shopping for personal items on company time; a plant manager decides to ship product to a customer even though he knows the parts have a quality problem because the problem doesn't affect part function and the customer probably won't notice; an employee spends several hours a week on her cell phone talking with her children and their associated caregivers, schools, and friends; a salesman marks parts as "sold" in the company data base thus depriving others of the ability to sell the parts, even though his sale is uncertain; a manager shares important company information with a competitor for her potential gain; a store misrepresents the quality or functionality of an advertised sale item; an employee takes office supplies home to stock his home office; a finance officer accounts questionably for purchases and expenditures; an accountant tells a supplier that their "check is in the mail" when he knows he hasn't written the check.

Do any of these situations sound familiar? Sure they do. You encounter these and others like them regularly if you spend any time in organizations. Are these "bad people" or "good people" making questionable ethical choices?

Do they even consider whether the choices they are making are ethical? (After all, the plant manager may think, the most important issue is to get the parts to the customer on time. Or, the employee rationalizes, "I give this employer lots of over-time and thinking time outside work hours so I deserve the time at work to surf the Web.")

So, before you relegate the subject of business ethics to the touchy-feely, head-in-the-clouds worlds of philosophy, religion, or academia, consider the potential positive impact on your organization of a working code of business ethics.

Author: Susan Heathfield

MEMBERSHIP VALUE PROPOSITION

Benefits of ICAM Membership

WIDENING THE HORIZON – POSSIBILITIES UNLIMITED

WHY ICAM MEMBERSHIP?

ICAM understands you need professional membership affiliation that sets you apart from the ordinary. The ICAM membership is unique, prestigious and illuminates a sense of pride as its sparks integrity, confidentiality, ethical compliance, professionalism and professional behaviour and commitment towards serving the public interest.

HOW YOU DERIVE VALUE

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The moment you are registered, you have the CA designation appended to your name. It is a brand that is internationally recognised as ICAM is a member of the International Federation of Accountants (IFAC), Chartered Accountants Worldwide (CAW) and Pan African Federation of Accountants (PAFA). Actually, you also add the prestigious designation CAW to your name.

2. Enhanced visibility and career prospects

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3. Regulation and adherence to ethical behaviour and highest standard of discipline

Add to that the dosage that you become part of the cream of accountants that are strongly regulated to ensure that they are professionally upright, they are ethically pure and are morally sparkling. That breathes into the market confidence in the ICAM members and are therefore looked upon with trust and unparalleled competence. Section 42 subsection 2f of the Public Accountants and Auditors Act (No 5 of 2013) gives ICAM the powers to conduct any inquiry or investigation, or collect information. Documents or evidence, for the purpose of carrying out its functions, including disciplinary actions against its members

4. Beneficiary of reciprocal agreements

For those that have the dream to take their accountancy mantle into foreign land, they are beneficiaries of the reciprocity for mutual agreements to which ICAM is a party. Consider this – CA Malawi qualification is recognised beyond the borders.

5. Technical assistance

Struggling with the understanding of technical aspects of standards and application of some standards or tax policies becomes easy with ICAM membership. Through a phone call, an e-mail or whatsapp to the Technical and Membership Department, a member is accorded tailor-made answers to enquiries made.

6. Quick bank loans, reduced rates for hotel accommodation and special premium insurance rates

Amazing further it is that ICAM membership puts one in the league that accesses accountants' tailor-made loan facility with FDH Bank which is approved within 48 hours. Access also extends to special premium rates for insurance services at BRITAM and special rates for accommodation at any Sunbird Tourism hotel in the country.

7. Remaining relevant through CPD

Worth considering is enhancing one's professional competencies through value adding CPDs. ICAM members access some free CPDs as well as pay discounted rates for paid CPDs. Other knowledge sharing models include the ICAM magazine and the ICAM bulletin

WHAT NEXT Are you registered? It is never too late. Call 01810301 or e-mail icam@icam.mw for a registration form. Remember to indicate your qualifications for proper guidance on membership category

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