

ACCOUNTABILITY IN ZAMBIA: A CASE STUDY OF ZICA

ABSTRACT

This study looks at accountability in Zambia and focuses on the Zambia Institute of Chartered Accountants (ZICA). Accountability is examined in terms of the adherence by ZICA to the major regulations that are meant to protect stakeholders. A key focus is on whether there is fulfilment of expectations of key stakeholders, and the responses of the accountancy body towards the fulfilment of stakeholder expectations. This study draws from a wide range of primary sources. These include a questionnaire, interviews with key stakeholders and books. Many other documented sources too numerous to mention in an abstract were used to achieve certain objectives of the study. The results of the study show that although ZICA faces a number of challenges including inadequate capacity; especially financial capacity, to deliver the required level of accountability, there are considerable efforts by the organisation that are helping it get closer to its goal (World class promotion and regulation of the accountancy profession and practice). In terms of willingness to improve, the case study shows that major players have made attempts to formulate better accountability plans albeit only limited implementation of these plans has taken place as a result of financial and other constraints. In addition, the results show that accountability is grossly misunderstood by many people including accountants.

DECLARATION

I declare that this paper is my own work. It is submitted in partial fulfilment of the Bachelor of Accountancy degree at the Copperbelt University, Kitwe. It has not been submitted before for any other degree or examination at any other university.

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DEDICATION

To my parents Mr. and Mrs. Kaulu; my brothers and sisters with sincere thanks for their love, support and encouragement during the writing of this paper and throughout my degree programme.

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Firstly, I wish to thank my supervisor, Mr. Lackson Zulu for his support, and academic guidance from the conception of the research topic to the writing up of this paper. Without his great assistance, it would not have been easy to complete this piece of work.

I am indebted to my family (mum, dad, brothers and sisters) and my friend Richard for playing a critical role in ensuring that this work is completed. Their love was an inspiration for me to work hard and complete my studies.

Finally, I would like to pay tribute to all the stakeholders who were interviewed for their time and patience. Special thanks go to the ZICA CEO, all staff at the Lusaka head office and practice office of ZICA especially the Director- Standards regulation and lastly but not the least the manager of the Kitwe office, for all their efforts that helped me administer and collect the questionnaire.

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ACRONYMS AND ABBREVIATIONS

ACCA Association of Certified Chartered Accountants

ECSAFA Eastern Central and Southern African Federation of Accountants

IFAC International Federation of Accountants

IASB International Accounting Standards Board

ROSC Report on the Observance of Standards and Codes

ZICA Zambia Institute of Chartered Accountants

CHAPTER1

INTRODUCTION

ACCOUNTABILITY IN ZAMBIA

1.1 Background

Many governments in developing countries are currently grappling with social and economic problems created by lack of accountability. Zambia has not been spared. Lack of accountability is normally noticeable in many areas of the economy in Zambia. Accountability is one of the core principles of corporate governance as illustrated in the diagram below from ACCAs P1.



Source: Professional Accountant Paper P1 Course Notes ACP1CN07

1.2 Importance of Accountability.

The importance of accountability must never be underrated. This is because;

Accountability is Key to economic prosperity

Because of its importance in economic prosperity, accountability is very high on the agenda of many government and professional organization meetings. Various legal reforms are made and continue to be made in order to achieve high levels of accountability. Speaking at the ACCA centenary business seminar in 2010, Honourable Felix Mutati stated that,

The Zambian government's legal reforms include a revised public sector finance act...passed by Parliament in August. They also include reforms to improve the regulatory powers of the Zambia Institute of Chartered Accountants- ZICA to ensure that it is better able to improve and monitor the quality of services provided by its members. The rewards of implementing these reforms will be increased accountability to the citizens of Zambia, reduced waste of government resources and greater confidence for the donor community. This should result in greater aid.

Lack of Accountability may lead to a fall in donor funding

Lack of accountability leads to lack of confidence in the accountability system by key stakeholders who include donors. Such stakeholders may decide to reduce or altogether stop providing any aid to the country if low levels of accountability persist. Commenting on the recent suspension by the Global Fund of more than \$300 million in health assistance to Zambia; economic scholar Oliver Saasa (2010) said, "This touches directly on life and should send a signal to the government on the importance of accountability."

Accountability is a key to performance measurement

Accountability is a critical tool for measuring performance in both the private and public sector. It has and still remains central to discussions of problems related to both the public and private (corporate) sector. The private sector seems to be using it effectively. However the public sector is struggling to achieve high accountability levels. According to Ammons (1995), “The public sector has come a long way in measuring performance and ‘managing for results’, but there is still much to do”.

Accountability is a key component of corporate governance.

Corporate governance refers to the process and structure used to direct and manage the business. According to the Bank of Zambia(BOZ) Banking and Financial Services (Corporate Governance) Guidelines, (2006:1) this “process and structure defines the division of power and establishes mechanisms for **achieving accountability** between the board of directors, management and shareholders... and taking into account the effects of such processes on other stakeholders, such as creditors, employees, customers and the community.” Therefore the, achievement of accountability is one of the major reasons why corporate governance regulations exist.

1.3 Problem Statement

This study focuses on accountability in Zambia as the problem statement with an emphasis on the level of accountability of ZICA as a case study.

Richard Batley (2006) asserts that, “Lack of accountability by a number of organisations resulting from greed and a desire for money, power and control have led to rising poverty levels, especially in Africa”. According to Smith and Tevera (1997), “The impacts of lack of accountability have included a reduction in investor confidence in the country, a fall in donor funding for projects and increases in cost for donor funding.” All these lead to poor economic performance including high prices especially of food, expanded levels of unemployment and underemployment.

Lack of accountability is a problem not just now but also in the past. For instance, before the privatisation policy, many state owned enterprises were very unaccountable to the government (which was the major stakeholder). Consequently, they began showing poor results and the government had to sell them. As a result of poor levels of accountability in the then Zambian owned companies there was privatisation. This left many companies under the ownership of foreigners- a situation that has left the country in economic bondage.

Despite the clear evidence of the bad effects of lack of accountability, there is gross misconception on what accountability is. Many people view accountability as a technical term that relates to the process of accounts preparation and financial reporting. It is therefore not a popular topic in the public domain-a situation which could lead to further reduction in the accountability levels.

1.4 Aims of the Research

The overall aim of this study is to examine the level with which those charged with governance in Zambia are being accountable to stakeholders; by using ZICA as a case study. Implementation of accountability depends on the competence and capacity of regulatory bodies such as ZICA. The research, therefore, analyses the capacity of the regulatory body to deliver the stated objectives by examining the activities and regulations used to serve the interests of stakeholders such as providing a good accountability regulatory framework for accountants in organisations in the public and private sector. It then highlights the major stakeholders affected by ZICA's operations and finally looks at whether; in line with the required level of accountability, these stakeholders' expectations are fulfilled or not.

1.5 Scope of Study

The study is meant to look at accountability in Zambia as a whole. However due to time and financial constraints, there is concentration on one organisation which is key in the enhancement of accountability in the country. The effects that this organisation has on other organisations cannot be overemphasised. Poor levels of accountability at ZICA would most likely trickle down to all organisations and Zambia as a whole would have low levels of accountability.

1.6 Research Methods

The study as a whole draws from a wide range of primary and secondary sources of information, including focused interviews with key stakeholders, a structured questionnaire and documentary sources. The following few paragraphs briefly describe how each source of information was used.

1.6.1 Focused Interviews

Focused interviews were conducted during the period from July 2010 to October 2010 with key stakeholders who mainly included practicing accountants and accounting students. The focus of the interviews was on the major accountability regulations that are supposed to be used by ZICA in the pursuit of its objectives and whether these are being met effectively and efficiently. In addition the focused interviews were used to collect data from key stakeholders regarding the capacity of ZICA to deliver the accountability requirements and to meet the expectations of stakeholders. This data collection method also helped in the identification of the major constraints inhibiting the implementation of accountability in the country and the responses of ZICA to accountability issues. (See Appendices for the interview schedule).

1.6.2 Structured Questionnaire

The questionnaire was used to collect data on the level of accountability at ZICA. The questionnaire was administered to the Director-Standards and Regulation. See Appendix 1 for the complete questionnaire.

1.6.3 Documentary Sources

Documentary sources were a third basis for the research. Sources of data included government documents, Acts of Parliament like the Accountants Act 2008, World Bank and IMF reports as well as ZICA documents and reports. Various books that talk about accountability were also a key source of information.

1.7 The Structure of the paper.

The paper is organised into two major sections. The first part concerns the presentation of a literature review from both a national and an international perspective which covers the themes of accountability and accounting regulation (Chapter Two). This section of material provides definitions of the key concepts and examines experiences of the developing world in terms of accountability, transparency and other related concepts. It also provides the regulatory framework that ZICA operates under.

The second part of the study (from Chapter Three to Chapter five) focuses on accountability in Zambia and by ZICA. Based on both documentary sources of data and interviews, Chapter Three and Chapter Four analyse, inter alia, the operations of ZICA and the major stakeholders involved in or affected by the organisation's operations. The empirical findings of the research are analysed from Chapter Five.

Therefore; overall, the study unfolds through five chapters. Chapter Two provides the theoretical framework by discussing the main literature review and regulatory framework. Chapter Three is a detailed description of the subject matter or case study, ZICA; which includes a brief background of ZICA and its structure. The scientific or empirical method used to analyse ZICA and an analysis of the findings of the research vis a vis the objectives or aims of the research are presented in chapter five. Chapter five is the final chapter of the paper and presents conclusions and certain policy recommendations.

CHAPTER 2

THEORETICAL FRAMEWORK

2.1 Introduction

The aim in this chapter is to provide an overview of accountability in Zambia and ZICA and to show the link between the two. Therefore, this chapter provides a critical theoretical context and literature review within which the study of accountability in Zambia; which is critical to sustainable development, can be investigated.

2.2 Accountability

Accountability is a concept in ethics and governance with several meanings. However, it is usually used synonymously with concepts such as responsibility, answerability, blameworthiness, liability, and other terms which are associated with account-giving. The Turnbull Report on corporate governance highlighted having a definition of accountability as a sign of a strong control environment in a company. Accountability is defined in many ways. Some of them are given here.

R. Hall (2010) defines accountability as “an obligation or willingness to accept responsibility or to take account for ones actions.” It entails, “The state of being accountable; liability to be called on to render an account [and] the obligation to bear the consequences for failure to perform as expected...” According to Gray *et al.* (1996), the accountability concept entails “the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible”. Gray *et al.* (1996) further assert that accountability renders two types of responsibility, namely responsibility for **actions** and responsibility to **report**.

One school of thought suggests that the need for accountability stems from the **agency problem**. For instance, Gray (1993) suggests that it is helpful to consider accountability in the context of the **principal-agent relationship**.

According to the aforesaid school of thought, the agency problem in companies derives from the principals (shareholders) not being able to run the business themselves and therefore having to rely on agents (the board of directors) to do so for them. This separation of ownership from management can cause issues if there is a breach of trust by directors either by intentional action, omission, neglect, or incompetence. One way in which to avoid this is for companies (in their entirety) to act with transparency and be accountable to the shareholders. This accountability should also be extended to all other stakeholders-especially the key players in a company's strategic pursuit.

In leadership roles, accountability can be viewed as the acknowledgment and assumption of responsibility for actions, products, decisions, and policies. It therefore would include administration, governance, and implementation within the scope of the role or employment position. This encompasses a number of things including the obligation to report, explain and be answerable for resulting consequences.

Accountability is made up of a number of components. The next section looks at the major components as proposed by Chansa (2006).

2.3 The Components of Accountability.

According to Chansa (2006:4) there are seven components of accountability. These include; delegation, responsibility, autonomy, authority, power, Legitimacy

and disclosure. The Concise Oxford English Dictionary (2010) has defined each of the elements as follows;

Delegation

Delegation is the entrusting of a task or responsibility to another person. It can also be viewed as the authorising of someone to act as a representative on one's behalf.

Responsibility

This refers to the state of having an obligation to do something or having control over or care for someone. Responsibility usually involves reporting to someone or being answerable for something. Reporting involves disclosure which is the next element of accountability.

Disclosure

The word disclosure has its origins from the Latin word 'claudere' which means to close. Disclosure is the making known of something that is secret or new information. It involves allowing something that is hidden to be seen or heard.

Autonomy

Autonomy is the possession of the right to self government and the freedom of action.

Authority

This is the power or right to give orders and enforce obedience. Power is also a component of accountability.

Power

In the context of accountability, power is the ability to do something or act in a particular way.

Legitimacy

Legitimacy is the state of being valid. If something is legitimate, it conforms to the law or appropriate rules. It is capable of being defended with logic or justification.

2.4 Types of Accountability.

According to Bruce Stone et al (1989), it is possible to have eight types of accountability. They list the eight types of accountability as: moral, administrative, political, managerial, market, legal/judicial, constituency relation, and professional.

POLITICAL ACCOUNTABILITY

Political accountability is defined as the accountability of the government, civil servants and politicians to the public and to legislative bodies such as congress or parliament(in the case of Zambia).In parliamentary systems, the government relies on the support of parliament, which gives parliament power to hold the government to account. For example, some parliaments can pass a vote of **no confidence** in the government.

ETHICAL ACCOUNTABILITY

Organizations must behave ethically towards the community or environment in which they operate. The practice of improving overall personal and organizational performance by developing and promoting **responsible tools** and professional

expertise, and by advocating an effective enabling environment for people and organizations to embrace a culture of sustainable development is called ethical accountability. According to Laouris et al (2008) "it is unethical to plan an action for social change without excavating the knowledge and wisdom of the people who are responsible for implementing the plans of action and the people whose lives will be affected." Therefore ethical accountability is supposed to include all affected stakeholders.

ADMINISTRATIVE ACCOUNTABILITY

Some of the mechanisms to achieve administrative accountability are internal rules, norms and independent commissions. Within organization departments, behaviour is bounded by rules and regulations. Juniors are subordinates in a hierarchy and accountable to superiors. However, there are independent "watchdog" units to scrutinize and hold departments accountable; legitimacy of these commissions is built upon their independence, as it avoids any conflicts of interest.

MARKET ACCOUNTABILITY

Due to the increased outcry for globalization, services provided are nowadays more "customer-driven" and should aim to provide convenience and various choices to consumers- who are now more diverse than before as globalization increases. Bruce Stone (1989) mention that "the standard of assessment for [market] accountability is therefore responsiveness of service providers to a body of 'sovereign' customers and ...quality service. Outsourcing service is one means to adopt market accountability."

CONSTITUENCY RELATIONS ACCOUNTABILITY

Constituency relations accountability arises because a particular agency of the government is responsible or answerable to the outcry of a non government agency representing citizens' interests in a particular field. For instance ZICA may be held accountable for not ensuring that appropriate standards are set with regard ethical behaviour by accountants.

PUBLIC/PRIVATE OVERLAP

Legal scholar Anne Davies (2010) argues that the line between public institutions and private entities like corporations is becoming blurred in certain areas of public service. In the past few years, there has been an increase in the provision of public services by private entities- through contracts provided by the government to the private entities.

This private/public overlap has led to a lot of questions about accountability as it is hard to point out who is responsible for certain actions. In many situations, it may not be clear whether the government or the contracted company should be held accountable for a poor service like a constructed built road.

2.5 Accountability models.

Accountability models and practices are changing rapidly fuelled by corporate governance demands and reforms. The major extremes though are the **regulation** based and **voluntary** based models of accountability. Each has advantages and disadvantages.

There are a number of advantages of the voluntary accountability model. Voluntary accountability gives entities the freedom to decide the business models that best fit their objectives. It is also likely to be economical for entities as they

are not likely to be required to pay fees for administration costs related to compliance. They may also not be required to produce reports.

Voluntary compliance accountability models may make some organisations simply ignore this important element of governance. It can also lead to poor levels of accountability altogether.

Compliance based accountability models call for the production of reports to affected stakeholders. These reports are then used by the stakeholders as testimony and evidence of accountability by those charged with governance. For instance, companies produce financial statements (Income statement, statement of financial position, statement of cash flows and other financial reports.). These, in conjunction with analysed ratios are used by shareholders to determine how well the company is using the resources.

The compliance based models however have a number of problems. Compliance calls for registration and monitoring. This is not free and has to be paid for by companies. It may involve hiring of independent and knowledgeable professionals to give an opinion on the level of accountability. Such requirements which cannot be met by small entities may lead to failure of those entities.

2.6 The regulatory framework

The Zambia Institute of Chartered Accountants (ZICA) was established by an Act of Parliament the Accountants Act (1982). Currently the main regulatory framework for ZICA's operations in Zambia is enshrined in the Accountants Act 2008. The Institution also has its own constitution. In 2005, ZICA adopted International Financial Reporting Standards (IFRSs) and International Standards on Auditing (ISAs) as standards to be used in Zambia. Hence it also has international obligations to Standard setting bodies such as International

Accounting Standards Board (IASB), IFAC and ECSAFA for implementation of high standards of accountancy.

ECSAFA

The Eastern Central and Southern African Federation of Accountants-ECSAFA is as the name suggests a professional regulatory body for the Eastern Central and Southern African countries. According to the ECSAFA bye-laws which were drafted in accordance with article 20 of the Federations constitution, "Full membership is open to a national accountancy organisation which is recognised in its own member state, either by legislation or general consensus as being a national body for all or any of the following segments of the accountancy profession; accountants in practice, Accountants in commerce, Accountants in public sector and Accountants in education." ZICA is a member of ECSAFA and hence has to follow regulations from the regional body. According to Chansa (2006), "ECSAFA comprises fifteen (15) members including all southern, south central and eastern African countries including Ethiopia and Mauritius."

IFAC AND THE IASB

IFAC stands for the International Federation of Accountants. IASB stands for International Audit and Assurance Standards Board. IFAC is a global organisation for the accountancy profession which works with various members and associates throughout the world in promoting accountancy standards. It is an international Ethics Standards board for accountants. IASB is one of the standard setting boards in IFAC.

ZICA

Some of the activities that ZICA is expected to pursue in order to meet International accountancy bodies regulations include the following;

- Reviewing relevant statutes;
- strengthening ZICA's own capacity to function as a strong professional accountancy body;
- establishing an independent oversight institution for ensuring compliance with the accounting and auditing standards;
- upgrading the accountancy curriculum and teaching in institutions of higher education;
- putting in place a proper legal and institutional framework for issuing, monitoring, and enforcing financial reporting standards;
- mandating and enforcing the use of IFRS for financial reporting by the public-interest entities;
- Providing simplified financial reporting requirements for small and medium enterprises; and establishing a legally backed institutional arrangement for issuing, monitoring, and enforcing IFAC-issued auditing standards and code of ethics for professional accountants.

ZICA has a number of obligations under the Accountancy Act (2008). These include to;

- regulate the accountancy profession;
- provide for the regulation of the education and training of accountants;
- provide for the setting of ethical, auditing and accounting standards;
- provide for the making and investigation of disclosures made in the public interest;
- define professional misconduct and provide for disciplinary procedures for the accountancy profession;

2.7 Conclusion of the Theoretical Framework

This chapter has presented the theoretical framework of accountability in Zambia with special emphasis on ZICA. This has been done through a review of literature on the concept of accountability and a brief discussion of the major regulations that ZICA operates under. The rest of the paper now concentrates on ZICA, its operations and how they affect the major stakeholders. This, together with the regulatory and other theoretical framework provides the basis for assessing whether ZICA is being accountable to stakeholders.

CHAPTER 3

COMPANY ANALYSIS

THE ZAMBIA INSTITUTE OF CHARTTERED ACCOUNTANTS

This Chapter describes the Zambia Institute of Chartered Accountants (ZICA) and its major operations. It therefore sets the platform with which those to whom the institute owes responsibilities can be identified. Most of the work in this topic is obtained from documentary sources which include inter alia the Companies Act, government documents and ZICA's website, brochures and books.

3.1 Background

As stated earlier, ZICA was established under the Accountants Act 1982 which was repealed by the Accountants Act 2008. ZICA is the official body that represents all Chartered Accountants in Zambia. Providing accountability in the quality and service of the accounting profession is its major objective.

3.2 Structure of ZICA

The main body recognised by the Accountants Act (2008) is ZICA's council. The following few paragraphs describe this body and its statutory duties.

THE COUNCIL OF THE INSTITUTE

The Accountants Act Section 9(1) states that, "For the proper management of the affairs of the Institute, there is hereby constituted the Council of the Institute." The Zambia Institute of Chattered Accountant's Council consists of 11 members. These include the President of ZICA, the Vice-President, four chartered accountants from the **commercial and industrial sector** elected by the

chartered accountants at an annual general meeting of the Institute, four chartered accountants from the **public practice** elected by the chartered accountants at an annual general meeting of the Institute; and the Accountant-General as an ex-officio member.

The President and Vice-President of the Institute are the Chairperson and Vice-Chairperson respectively of the Council. A chartered accountant does not qualify to be elected or appointed as a Council member if the chartered accountant—

(a) has committed any professional misconduct within a period of five years preceding the election or appointment;

(b) is in lawful custody or the chartered accountant's freedom of movement is restricted under any law in force in or outside Zambia on the date of the election or appointment; or

(c) has not been on the members register for at least three years preceding the election or appointment.

The council of ZICA is mandated with many functions under Section 10 of the Accountants Act. First and foremost, it is supposed to perform the functions of the Institute. It must promote an understanding of professional ethics amongst the members of the Institute; ensure that the rules and guidelines for professional ethics developed by the Institute are responsive to the expectations of business and financial Institutions and those who rely on accountancy work. It must participate in the development of international practice standard setting. The Act further states that the council must determine the need for, and the nature and level of, professional indemnity insurance or fidelity insurance to be carried out by chartered accountants; make recommendations affecting or relating to the accountancy profession to the general meeting of the Institute and issue and ensure the relevance of auditing and accounting pronouncements. This must be

done by considering the needs of users of audit and accountant's reports, liaising with any committee of the Institute for purposes of setting standards to be maintained by chartered accountants and receiving feedback on areas where auditing and accounting pronouncements are needed. Further, considerations are supposed to be made with regard implementing appropriate international practice standards, consulting with other professional bodies on the direction and appropriateness of practice standards pronouncements and setting papers and qualifying examinations for all persons with foreign accountancy professional qualifications intending to practice in Zambia. Additionally, a register of all persons studying or intending to study accountancy or become accountants is kept.

The ZICA council is supported in its functions by several Committees listed below:

- Disciplinary Committee
- Finance and Administration Committee
- Education and Training Committee
- Technical Committee
- Taxation Committee
- Continuing Professional Development (CPD) Committee
- Affiliates Disciplinary Committee
- Membership and Practice Committee
- Benevolent fund
- Publications and Public Relations Committee
- Public Sector and Parliamentary Issues Committee

3.3 ACCOUNTABILITY AND ZICA

3.3.1 Accountability under the Accountants Act 2008

Provisions of the Act

Section 5 of the Accountants Act (2008) provides for ZICA's authority to regulate the accountancy profession. Section 8 provides for ZICA to be self-regulated. Section 10 provides for the functions of the Council, under which Part IV provides for the classes of membership, registration of accountants, and issuance of practicing certificates to chartered accountants. Section 19 of the Act provides the measure that to practice; a chartered accountant shall apply for a practicing certificate or a non-audit practicing certificate. Section 20 further prohibits establishment of a practice without a practicing certificate or non-audit practicing certificate. Section 24 states that a person who registers a firm of accountants under the *Registration of Business Names Act* shall also register the firm with the ZICA. Section 29 states that a chartered accountant shall perform an audit in accordance with the auditing standards determined by the ZICA and such agreed procedures as the client contract may specify. Section 31 provides for practice review to be undertaken by ZICA. Under this provision, ZICA or a person authorized by the ZICA shall review the practice of a chartered accountant and the firm of chartered accountants and may inspect and make copies of any book, document, or record in the possession or under the control of the chartered accountant.

ZICA's Accountability over provisions of the Act

Despite lack of adequate capacity, ZICA seems to be doing well on a number of provisions in the Accountants Act.

With regard the provision to have classes of membership; the institute has four classes of members- Technicians, Licentiates, Associates and Fellows who each have different privileges depending on the years of membership and level of experience. This is meant to ensure professional competence and skill in service delivery.

As stated above the Act requires the registration of Accountants and issuance of practicing certificates to chartered accountants to practice. A chartered accountant must apply for a practicing certificate or a non-audit practicing certificate. The Act further prohibits establishment of a practice without a practicing certificate or non-audit practicing certificate. Is ZICA implementing these? The answer would be seen from this: ZICA sets examinations for those who apply for the practicing certificate(s). There is an examination for those who apply for a full audit certificate and those who apply for a non-audit certificate. For both these categories, there is a requirement that the would-be certificate holder must have had 7years experience. This is also in line with the accountant Act. The full audit practising certificate confers the right to undertake general practising work and carry out audits. The non-audit practising certificate confers the right to undertake general practising work but not work reserved for registered auditors. To obtain a non audit practising certificate or a full audit practising certificate, members are required by ZICA to meet the practical experience requirements and pass a competence practice examination which as stated above differ for a full audit certificate and a non audit certificate.

With regard to the requirement by Section 29 that a chartered accountant shall perform an audit in accordance with the auditing standards determined by the ZICA and such agreed procedures as the client contract may specify; ZICA has engaged the Association of Chartered Certified Accountants (ACCA) to undertake practice reviews of public firms.

From the foregoing, ZICA seems to be doing well on accountability towards the requirements of the Accountants Act. However, it must be noted that lack of capacity to deliver certain duties is eminent. For instance although ZICA has established a Practice Review Department to carry out quality reviews for practicing auditors and monitor financial statements of public interest entities also has signed an agreement with ACCA and ECSAFA to undertake monitoring and practice review of members in practice. It has also strengthened its Technical Committee by including the Big Four auditing firms in the analysis of various exposure drafts from the IFAC Board.

3.3.2 Accountability on disciplinary matters

Disciplinary committee Requirement-Sec 74.

Section 74 of the Accountant's Act provides for the establishment of an Independent Disciplinary Committee, which deals with members who violate provisions of the Act and are charged with professional misconduct and/or violation of the code of ethics. The act further requires that the chair and vice-chair of the Disciplinary Committee must be legal practitioners qualified to hold or have held high judicial office. The introduction of an independent Disciplinary Committee is aimed at protecting public interest.

ZICA's Accountability on the Disciplinary Committee

According to the World Bank and IMF (2007: 16), "There have been a few cases of banks collapsing in the last 10 years, and the last corporate collapse in Zambia happened in 2004...comments from stakeholders indicate that the disciplinary process in ZICA is at best selective, and at worst nonexistent." The Disciplinary Committee mainly comprises practicing accountants. The chairperson of the committee is also a practicing accountant. Additionally, the

ZICA Council is dominated by the large firms, which have impact on ZICA's ability to take actions for infractions in audits conducted by members of those leading firms.

3.3.3 Accountability on Professional Education and Training

Provisions of the Act

The Accountants Act, Section 5(h) states that “one of the duties of ZICA is to register persons intending to study accountancy and regulate standards of training and practice of Members including the holding of examinations and tests that are necessary to qualify applicants for membership of the Institute.”

In order for the professional training program offered by ZICA to be kept relevant to commerce and industry and to compete effectively with other qualifications, there is need to ensuring that it is of the highest possible quality.

ZICA's level of Accountability on Professional Education and Training

In 2009 and 2010, ZICA will carried out a comprehensive review of the training materials for the accountancy program; and review of the syllabus for the ZICA accountancy program. Under one practical-based course of the ZICA Professional Accountancy Program, students are coupled with mentors and coaches at accredited institutions like the Copperbelt University for a 6-month period after which they write a thesis report that is assessed for certification by a panel of experts.

According to the IMF and World Bank (2010) “Compliance to requirements of continuing professional development is still low. The ZICA Council has now approved sanctions for noncompliance with CPD requirements since this is an

obligation for IFAC membership.” Additionally, Under an April 2008 agreement with ACCA and ECSAFA, the ZICA Council accepted to subject auditors and auditing firms to quality reviews. In addition, ZICA has established a Practice Review Department with the support of the European Union to internalize the process. In order to ensure enforcement of IFRS and IAS across all sectors, all regulators of banks, insurance companies, pension funds, listed firms, and the Law Association of Zambia have been made members of the Practice Review Committee.

3.3.4 Accountability for Setting Accounting and Auditing Standards

Provisions of the Act

ZICA sets accounting and auditing standards and adopts international standards for application in Zambia. The Accountants Act of 2008 is very specific on the mandate of ZICA. Section 5(b) of the Act states that one of the powers or functions of the Institute is to, “maintain appropriate practice standards among Members that are consistent with the principle of self-regulation and the public interest.” Therefore, one of ZICA’s major accountability roles emanates from the need to develop, promote, maintain and improve appropriate standards that can help regulate the accounting profession in the country. The standards are supposed to be well enforced and must be comparable with internationally recognized standards.

ZICA’s Accountability for Setting Accounting and Auditing Standards

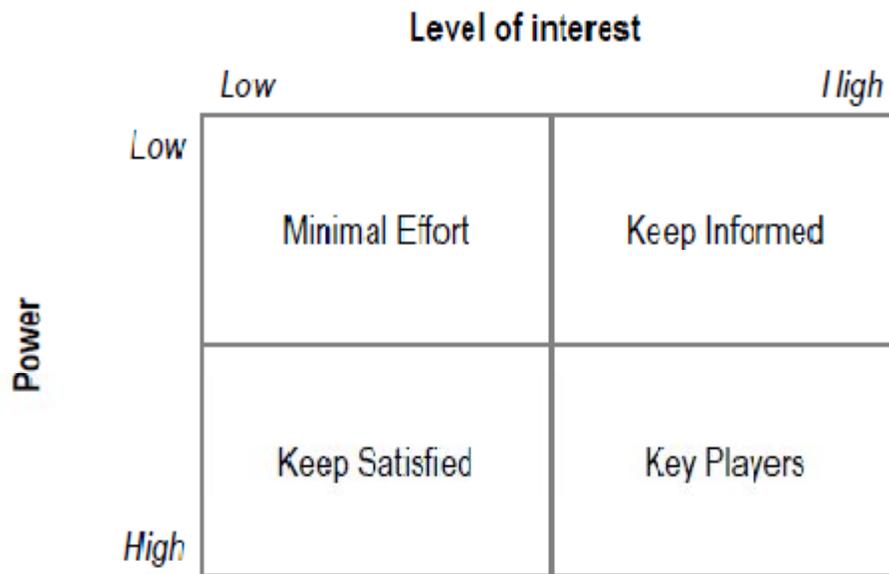
According to the IMF and World Bank (2007) “ZICA has reviewed its structure in order to provide for the establishment of the Standards and Regulation Board that focuses on reviewing international standards and ensures compliance under the Practice Review Committee recommendation. Noncompliance with standards

is a disciplinary matter reportable to the independent Disciplinary Committee headed by a legal practitioner. Appeals on decisions of the Disciplinary Committee go to the High Court of Zambia.

CHAPTER 4

STAKEHOLDERS OF ZICA

In this paper, stakeholders are to be taken as people, groups or organisations that can influence or be affected by the actions or policies of ZICA and hence to whom the institute owes responsibilities. From the foregoing Chapter, it can be deduced that ZICA owes responsibilities to a number of people (both corporate and individual). Each stakeholder group has different expectations about what it wants and therefore different claims upon the organisation. Therefore, it is essential that the accountancy body satisfies the expectations of stakeholders starting with those that Mendelow classifies as key players. Key players are stakeholders who have both a high interest in the operations of an organisation (ZICA in this case) and high power to influence the activities of that organisation. Other classes of stakeholders can be identified from the power-interest matrix proposed by Mendelow and shown below.



4.1 ZICA AND ITS STAKEHOLDERS: WHO ARE THEY?

This chapter will highlight ZICA's major stakeholders and the duties of the institution to these stakeholders. ZICA has many stakeholders. Consequently, only a limited number of **major stakeholders** will be highlighted here.

4.1.1 THE CENTRAL GOVERNMENT

ZICA was established after the government realised that Zambia was backward in terms of accounting. To date, the government depends on ZICA for a number of things including advice on the national budget. In order to be accountable to the government, the accountancy body is supposed to keep the accountancy profession up to date through the powers and duties it has been granted under the Accountants Act. It is also supposed to be accountable for any financial support that it may from the government.

4.1.2 COMPANIES IN THE PRIVATE SECTOR

ZICA has to ensure that the accountants in the country are of the highest calibre and behave ethically. This duty is owed to many organisations in the public sector. Many of these trust ZICA to deliver the promise of high calibre accountants. This is evidenced by the requirement by many firms that any accountant they employ should be a member of the professional body. In order to improve delivery of its promised objectives, ZICA has engaged a number of firms from the private sector to participate in various boards of the organisation. For instance, in the ZICA council, there are four chartered accountants from the **commercial and industrial sector** elected by the chartered accountants at an annual general meeting.

4.1.3 PUBLIC SECTOR ORGANISATIONS

Public organisations affect and are affected by many stakeholders. Poor accountability by ZICA towards such organisations may lead to resentment towards ZICA and the accountancy profession. The importance of the public organisations to ZICA is evidenced by the requirement that there should be four chartered accountants in the Council of ZICA from the public practice elected by the chartered accountants at an annual general meeting of the Institute.

4.1.4 INTERNATIONAL REGULATORY BODIES

International regulatory bodies include those that ZICA is directly accountable to such as IFAC, ECSAFA and those regulate the accounting profession in other countries such as ACCA in the U.K to which ZICA has entered into agreements with. The institute must ensure that it delivers its promises to these bodies in order to be viewed as being accountable.

4.1.5 INTERNATIONAL DONOR AGENCIES

In many of its programmes, ZICA has found itself with inadequate capacity to deliver the required level of performance. A number of organisations have usually come to the rescue of the accountancy body. Notable among these are the IMF and the World Bank. For this reason, ZICA must be held accountable to these organisations. It must ensure that it acts responsibly towards the resources provided by these entities and performs to the best of the stakeholder's expectations.

4.1.6 MEMBERS OF ZICA.

ZICA also needs to be accountable to its members. As stated earlier, there are different classes of members. These include Fellows, Associates, Licentiates and Technicians. Students also constitute another group.

As at 29th July, 2010, there were 619 registered associates, 673 fellows, 872 licentiate and 1,449 technician members of ZICA. In order to be viewed as being accountable, the institute has to ensure that it delivers the promised services as published in it's brochures and other documents. It has to give each class of member(s) their promised rights and ensure they deliver their promised duties or obligations towards the institute.

CHAPTER 5

CONCLUSION AND RECCOMENDATIONS

CONCLUSION

Regulation

The statutory framework under which ZICA operates has undergone major changes- especially the Accountants Act 2008. This is good because the changes are meant to update the regulatory framework.

Monitoring and Enforcement

Because of financial difficulties, ZICA has had difficulties in implementing its mandates, which includes monitoring and enforcement of legal obligations. The establishment of the Standards and Regulation Board established which has delegated powers and responsibilities and financed under ZICA structure assures sustainability and autonomy. This is likely to help ZICA be more accountable with less political interference.

Capacity

The capacity of ZICA to deliver the required level of accountability has been raised as an important matter to consider. According to the IMF and World bank rocs report (2010) “Strengthening ZICA to address various quality issues and meet IFAC membership obligations is important, hence the need for continuous improvement. ZICA is working very closely with other regional member bodies to address the capacity needs in technical matters.”

Education and Training

It is important that professional training programmes are of high quality for them to be of continued relevance to commerce and industry. In the past few years, ZICA has carried out a comprehensive review of the training materials and the syllabus for the ZICA accountancy program.

RECOMMENDATIONS

The Accountants Act

In order for the levels of accountability in Zambia to be at consistently high levels, there is need to consider frequently reviewing the Accountants Act so that it is in line with today's changing business and accountability needs.

Monitoring in order to achieve accountability

ZICA must implement the Accountants Act through effective monitoring. However, it cannot do this without the adequate capacity. Therefore, resources should be allocated to ZICA to implement the various provision of the Act.

The practice and review department

The recently established Practice Review Department requires continued strengthening. It must be staffed with competent staff and be allocated enough financial resources in order to achieve the targeted objectives in relation to accountability

Review of professional education

Due to continuous changes in the business environment, there should be encouragement of continuous review of the ZICA accountancy programme syllabus. Accountability requirements can also be met by Continuous Professional Development (CPD) requirements-which must be encouraged. Further, public sector accounting is an area of interest and requires strengthening at the central as well as local government levels.

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APPENDICES

39 Accountability in Zambia: A case study of the Zambia Institute of Chartered Accountants (ZICA)



THE COPPERBELT UNIVERSITY

School of Business

Department of Accounting and Finance

QUESTIONARE FOR ZICA

This questionnaire is for the purpose of collecting data for my final year project entitled “**Accountability in Zambia: A case study of ZICA.**” The information collected is purely for academic purposes. Please answer all questions as correctly, truthfully and as completely as possible.

Your sincere co operation will allow me to make an assessment of the quality and level of accountability in your organisation, as relevant to my case study.

Thank you.

Byrne Kaulu.

Please tick in the boxes and write in the spaces provided below.

A. IDENTIFICATION

Q1. What is the name of the department, section or unit if any that deals with accountability at ZICA?

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Q2. What are the main objectives of this department, section or unit? Please list below

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.....
.....

B. AFFIRMATION AND CONVICTION

Q2. Do you agree that accountability is a key factor for the success of any organisation including ZICA? Please tick below.

Strongly agree. Agree. Neither agree nor disagree. Disagree. Strongly disagree.

Q3. Do you agree that Accountability is one of the principles of good corporate governance? Please tick below.

Strongly agree. Agree. Neither agree nor disagree. Disagree. Strongly disagree.

Q4. What are the factors that act as incentives for instituting accountability in ZICA’s organisation structure?

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.....

C. ACCOUNTABILITY AS A GOVERNMENT ORGANISATION.

a. Statutory responsibility.

Q5. What arrangements has the government established to ensure compliance with all applicable statutes, regulations and other relevant standards of best practice?

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b. Accountability for public money and performance

Q6. What arrangements has the government established to ensure that public funds and resources at ZICA are properly safeguarded and employed economically, efficiently and effectively?

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.....

D. ACCOUNTABILITY IN THE EDUCATION SECTOR.

Regulation by statute and compliance:

Q7. Is there any regulation by law or statute that is specific to the industry or sector in which ZICA operates (i.e. the education sector)?

NO YES

Q8. If your answer to question 7 above is YES, please name the regulations.

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.....

Q9. Does ZICA comply with the above mentioned regulations?

NO YES

Q10. How is ZICA held accountable for non-compliance?

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Professional Regulation and compliance

Q11. Apart from the government of Zambia (through the ministry of education), are there any professional or regulatory bodies that regulate ZICA? If yes, please list them below:

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Q12. Is ZICA affiliated to any of the above named?

NO YES Not applicable

Q13. If your answer to question 12 above is YES, briefly explain how ZICA is held accountable to this/these professional body/bodies.

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E. TEST OF ELEMENTS OF ACCOUNTABILITY

1. ACCOUNTABILITY TO PROSPECTS AND CLIENTS

Q14. How truthful is the information contained in customer’s brochures?

Degree of truthfulness: (Tick in the appropriate box).

0% 25% 50% 75% 100%

0%=False 25%= Not very truthful 50%= fairly truthful 75% =Truthful 100%= absolutely truthful

Q15. How does ZICA ensure that information contained in the above named documents is reliable?

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Q16. Briefly describe how ZICA is held accountable for failure to deliver the expected claim(s) as promised in its publications or brochures?

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2. AUDITING

(i) Internal auditing.

Q17. Does ZICA conduct internal audits?

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Q18. How regularly is an internal audit conducted?

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Q19. To whom are results of the audit reported.

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.....

(ii) External Audit

Auditor independence and objectivity

Q20. Are external audits conducted at ZICA?

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Q21. Over the years, how regularly has ZICA rotated it's Auditor's?

.....

Q22. Does internal audit frequently communicate with the external auditors?

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.....

Q23. How regular is such communication?

.....

(iii) Audit Committee

Q24. Does ZICA have an Audit committee on it's board? Please tick below:

NO YES

Q25. If the answer to question 24 above is yes, is there a majority of Non Executive Directors (NEDs) over executives in the audit committee? Please tick below:

NO YES

Q26. What is the ratio of the Non Executive Directors (NEDs) to executive directors in the audit committee of the board?

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Q27. Briefly describe how accountability is affected by the three complementary relations: Internal audit, external audit and the audit committee at ZICA.

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3. DISCLOSURE OF INFORMATION.

Q28. Apart from the basic financial statements (Profit and loss account, Balance Sheet and Cash flow statement), what other reports-financial or non-financial, are produced by ZICA?

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4. ACCOUNTABILITY TO ALL OTHER STAKEHOLDERS.

Proper stewardship

Q29. Apart from the government and clients (students) which other stakeholders is ZICA Accountable to? Please list them below.

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Q30. How does ZICA show accountability to these stakeholders?

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Q31. What remedies do the stakeholders have to enforce proper accountability?

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Q32. On a scale of 0 to 10 with **0** meaning ZICA is **not accountable** at all and **10** meaning that ZICA is **absolutely accountable** to its stakeholders, how would you rank the level of accountability at ZICA in general?

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Thank you very much.

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Position of Respondent

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Signature of respondent

.....

Date