Regulators, practitioners speak on 2022 Financial reporting

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On Thursday 19 January 2023, Training and Advisory Services Chartered Accountants (TAS) held an online training session with practitioners and regulators to discuss the 2022 financial reporting issues that may be faced by companies operating in Zimbabwe. Regulators present were the Secretary of the Public Accountants and Auditors Board (PAAB) – Admire Ndurunduru – and the CEO of Securities and Exchange Commission (SEC) – Anymore Taruvinga. They shared their position on reporting and how it affects various stakeholders. Some of the key highlights of the discussions are shared below.

The regulators stressed that for 2022 year-end reporting going onwards, it is not ideal for accountants to keep blaming issues that would have happened in prior years as a reason for poor quality reporting as it is unfair to investors. As part of a business's operations and strategy it should set out to be strategic and resilient in all processes, at the same time achieving compliance. A point was buttressing that reporting compliance with IFRS is not just a checkbox but is a codified law by Statutory Instrument (SI) 41 of 2019 which requires private sector entities to adopt IFRS. It is not a partial adoption required but a full adoption of the standards in their entirety. Professional accountants are also encouraged to ascribe to the newly released quality management standards that would aid in completing audits and professional accounting services for clients.

Financial statements users have had challenges in the form of delayed financial statements and the financial statements being qualified, which reduces reliance on them. For information to be useful it needs to be timely, and it needs to be reliable. Around issues of guidance the regulator has also reiterated that the standards provide sufficient guidance to prepare quality financial statements. The regulator will only step in to adjust any areas when there are evident areas that cannot be addressed.

Moving into the technical issues around financial reporting that were covered, the key elements that companies should place an emphasis on are the areas to do with determining the fair value for assets, determining the functional currency of the entity, determination of the appropriate exchange rate for financial reporting and the impact of changes in legislation on financial reporting. The IASB is currently working on an amendment to the standard on foreign currency exchange rates which should also come into effect later this year and companies should be aware of. It is imperative companies continuously assess their functional currency based on their trading conditions and how they generate income. It is not a matter of just deeming it to be USD, but an assessment based on sales, costs and equity structures in line with IAS 21 provisions.

In a bid to make financial statements more useful there has been a drive for implementation of sustainability reporting standards. Currently only listed entities are required to prepare integrated reports through Statutory Instrument 134 but there is no given framework. The PAAB declared Zimbabwean entities to early adopt the upcoming International Sustainability Standards Board (ISSB) standards. The ISSB standards are a framework for companies to use to prepare sustainability reports. They are a global baseline which will allow uniformity according to the different sectors and jurisdictions making the reports more comparable. A sustainability report involves disclosing information around how the company aims to maintain long-term value. This includes but is not limited to information around the company's risks and opportunities and how it intends to address them. This can be uncovered under the pillars of environmental, social and governance issues.

On the tax front, companies will be allowed to rebase their tax values of their assets effective 1 January 2023 which Is a welcome amendment as companies with large asset bases purchased in foreign currency will see a fall in their taxable income. Integrating the new tax amendments with financial reporting, preparers should take note of the resultant implications to the deferred tax that can come from rebasing their tax values of their assets to a value based on the current rate.

For any additional queries with regards to financial reporting users should get into touch with Training and Advisory Services for client specific assistance by contacting us on marketing@tas.co.zw