



# ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS

## GUIDANCE ON TENURE OF OFFICE FOR EXTERNAL AUDITORS

The Council of ZICA has noted that many companies are inviting external auditors to bid for audit services on annual basis in the pretext of to complying with good corporate governance practices. Employing external auditors annually is very expensive to the company concerned as well as to the external auditors. In the relationship between the external auditor and the client, there is need to develop a long-term relationship that is mutually beneficial to both parties. When an auditor makes application annually for such services, the auditor adopts a short-term survival strategy, which turns out to be very expensive to the client. While a long term relationship may be developed, the client reserves the right to terminate the services if they auditor does not meet the high standards set by the client.

Following numerous queries we have received regarding the tenure of office for external auditors as well as the maximum period that external auditors can be retained by the client, we wish to guide as follows, which is in compliance with the guidance of the International Federation of Accountants.

According to Code of ethics for professional Accountants, there is no limit to the number of years that a client can retain an external auditor. However, *“In respect of an audit of a public interest entity, an individual [auditor] shall not be a key audit partner for more than seven years. After such time, the individual [auditor] shall not be a member of the engagement team or be a key audit partner for the client for a further two years. During that period, the individual shall not participate in the audit of the entity, provide quality control for the engagement, consult with the engagement team or the client regarding technical or industry-specific issues, transactions or events or otherwise directly influence the outcome of the engagement.”*

This provision is designed to safeguard the independence of the auditor. Therefore, provided that a firm of auditors has sufficient procedures to ensure “Partner Rotation” every seven (7) years in compliance with the above provision, they can retain an audit client for an unlimited period of time.

To protect public interest, in line with the Accountants Act of 2008, Council has established a Practice Review Department to audit the external auditors and ensure that they comply with International Auditing Standards and the Code of Ethics for professional Accountants.

You may contact the undersigned to clarify any matter related to the foregoing.

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