

Public Practice Information Handbook

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Introduction

This Practice Information Handbook is intended to provide guidance to members especially those members that are new to practice or contemplating setting up in practice in the future. It acts as a single, helpful point of reference.

This booklet has no regulatory status. It is issued for guidance purposes only, and in the event of any conflict with the Accountants Act and ZICA Constitution, the latter shall at all times take precedence. Therefore, this booklet should not be regarded by a member as a substitute for familiarising himself or herself with the contents of the Accountants Act and ZICA Constitution or, where necessary, obtaining specific advice from ZICA Secretariat concerning a specific situation.

Relevant application forms can be found on ZICA website (www.zica.co.zm) or requested from the Technical and Membership Department.

APPLYING FOR YOUR PRACTISING CERTIFICATE

If you wish to apply for your practising certificate, you should submit your completed practising certificate application form to the Technical and Membership Department, at ZICA Office (Accountants Plot No. 2374 Thabo Mbeki Road, P O Box 32005, Lusaka). Your eligibility for a practising certificate will be assessed, and you will be notified of the outcome.

Members who meet the requirements for the practising certificate will be required to sit and pass the competence practice examinations before being granted the practicing certificate.

Application forms for practicing certificates should be submitted to the Technical and Membership Department by 31st May and 30th November for the June and December Examinations respectively together with the appropriate competence practice examination fees.

APPLYING FOR A FIRM'S REGISTRATION CERTIFICATE

A firm which holds, or intends to hold, audit or non-audit appointments in the Zambia will need to obtain registration from ZICA. Application forms for can be downloaded from the ZICA website, or obtained from the Technical and Membership Department at ZICA

NB: For advice regarding eligibility for a practising certificate, the firm's registration certificate, completing the application forms, please contact the Practice Review and Membership Departments on +260 211 374550-4/374555-9.

THE PRACTISING CERTIFICATE

The Accountants Act 2008 sets out the eligibility criteria for obtaining a practising certificate.

WHO REQUIRES A PRACTISING CERTIFICATE?

Any ZICA member performing work under the ZICA definition of public practice or who is a partner/director of a firm which undertakes public practice is required to hold a ZICA practising certificate.

ZICA issues:

- a full audit practising certificate, and
- a non audit practising certificate

This section explains when a practising certificate is required, details of the eligibility requirements and the ongoing conditions for holding the certificate. The differences between a full audit practising certificate and a non audit practising certificate are explained later in the handbook.

Practising certificates are available to members who meet the eligibility requirements.

WHAT IS PUBLIC PRACTICE?

ZICA defines public practice as:

- accepting an appointment as an auditor; and/or
- signing or producing any accounts or report or certificate or tax return concerning any person's financial affairs, whether an individual sole trader, an unincorporated body or a firm, in circumstances where reliance is likely to be placed on such accounts or report or certificate or tax return by any other person (the 'third party'), or doing any other thing which may lead the third party to believe that the accounts or report or certificate or tax return concerning the financial affairs of such a person have been prepared, approved or reviewed by the practitioner; and/or
- holding oneself or itself out, or allowing oneself or itself to be held out, as being available to undertake the activities referred to above (and allowing oneself to be known as a, or a firm of, 'Chartered Accountant(s)', 'Accountant(s)' or 'Auditor(s)' or any similar description or designation standing for any such description in the context of the practitioner's business shall be regarded as an example of such a holding out); and/or

- holding oneself out, or allowing oneself to be held out, as a sole proprietor, partner or director of a firm, or designated member or member of a limited liability partnership, where public practice is carried on.

Although members may not consider themselves to be in public practice, it is easy to stray into areas where the nature of the work is unclear. Some of these areas are discussed in the next section.

WHAT IS NOT CONSIDERED TO BE PUBLIC PRACTICE?

Basic bookkeeping services, for example the preparation of accounting records to trial balance stage, VAT, and payroll work, do not constitute public practice work.

A member who is self-employed and carrying out tasks outside of the definition of public practice need not hold a practising certificate, providing his or her firm is not described as a firm of Chartered Accountants (or similar) and his or her business stationery cannot be reasonably understood to be that of a practising Chartered Accountant. (This is ‘holding out’ as detailed above.)

A member working on the fringes of the definition of public practice will need to carefully assess whether he or she should hold a certificate as a ‘protective’ measure. This would enable him or her to undertake work within the definition of public practice which may arise incidental to his or her regular activities.

Work undertaken on a self-employed basis in the areas of bookkeeping and management consultancy services, where the work will be used solely by the client, would be regarded as being outside of the definition of public practice. However, where accounts, reports, certificates or tax returns could be relied upon by a third party (e.g. a cash flow statement provided to a bank in support of a loan application), a practising certificate is required. Most forms of communication with the tax authorities (even the completion of a tax return which will be signed by the client) or banks/other financial institutions on clients’ financial affairs would be regarded as coming within the definition of public practice.

A member who is uncertain as to his or her position should write with full details of the proposed areas of work to Technical and Membership Department at ZICA for further guidance.

Honorary public practice work exemption

ZICA recognises that some members may want to help out friends, family or local charities by preparing accounts etc.

Therefore, providing the following conditions are met, this ‘honorary’ work shall not constitute public practice:

- the accounts are of an entity which does not require the appointment of an auditor; and
- no fee is payable or other material benefit receivable in respect of the work performed; and
- any third parties are made aware that the activity has been carried out by an Honorary Reporting Accountant; and
- the member does not hold himself out, or allow himself to be held out, as a sole proprietor, partner, director, member or designated member of a firm where public practice is carried on.

ZICA Council has defined 'material benefit' as amounting to a non-monetary gift worth more than K100 000 in value. The reimbursement of expenses should relate only to items strictly necessary to the completion of a task.

The honorary public practice exemption exists to allow members to use their skills to make a contribution to their local communities or to assist family, friends and local charities as a favour. It should not be viewed as an entry route into public practice, and it is not acceptable to produce business stationery in connection with such work which purports to be that of a practising firm.

The fact that an assignment has been taken on in an honorary capacity does not exonerate the member from a potential claim for professional negligence. Members undertaking work under this provision are, therefore, advised to carefully assess whether the nature of the work they intend to carry out warrants the holding of professional indemnity insurance cover or undertaking appropriate continuing professional development.

HOW TO OBTAIN A FULL AUDIT PRACTISING CERTIFICATE

The full audit practising certificate confers the right to undertake general practising work and carry out audits.

To obtain a full audit practising certificate, members must meet the practical experience requirements and pass a competence practice examination. The full audit practising certificate application form can be downloaded from the ZICA website at www.zica.co.zm

To be eligible to obtain a full audit practising certificate, a member

- has been certified by a professional body or a body recognised under section thirteen of the accountants Act 2008 to have complied with the education and training requirements; and
- has passed the competence practice examination set by the Institute and has obtained competence to practice and a period of more than seven years has elapsed between

the date of complying with the education and training requirements and the date of the application.

The seven years experience must all be in audit in a public practice firm and must be of a wider and deeper nature than that required for membership. The experience must be reviewed by an APPROVED PRINCIPAL and confirmed by your SUPERVISING PRINCIPAL.

HOW TO OBTAIN A NON AUDIT PRACTISING CERTIFICATE

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, members must meet the practical experience requirements and pass a competence practice examination. The non audit practising certificate application form can be downloaded from the ZICA website at www.zica.co.zm

To be eligible to obtain a non audit practising certificate, a member

- has been certified by a professional body or a body recognised under section thirteen of the accountants Act 2008 to have complied with the education and training requirements; and
- has passed the competence practice examination set by the Institute and has obtained competence to practice and a period of more than seven years has elapsed between the date of complying with the education and training requirements and the date of the application.

The experience must be of a wider and deeper nature than that required for membership and should cover any of the following areas: Financial Reporting, Taxation (Personal, Corporate and any other related areas), Management Accounting, Financial Management, and Strategic and Risk Management. The experience must be confirmed by your SUPERVISOR(S).

ONGOING CONDITIONS FOR HOLDING A PRACTISING CERTIFICATE

Fit and proper status

ZICA will only issue practising certificates to applicants who are 'fit and proper' persons. In determining whether a person is fit and proper, the Membership and Practice Committee will look at any matter which relates to the person, including whether the person is or has been:

- convicted of a criminal offence

- at any time bankrupt, signed a trust deed for creditors or entered into a deed of arrangement, scheme or composition in respect of his/her financial affairs (or any similar or analogous event)
- the subject of a bankruptcy restriction order or bankruptcy restriction undertaking
- removed from the office of liquidator, trustee, administrative receiver, administrator or supervisor
- excluded from or refused membership of a professional body on disciplinary grounds
- found to have failed to ensure that the experience and competence of his/her employees and practice associates are adequate, having regard to the nature of the work involved
- the subject of a disciplinary order made by ZICA or another professional body
- the subject of an investigation, whether criminal, disciplinary or otherwise, in respect of his/her conduct.
- found to have given ZICA false, inaccurate or misleading information or failed to co-operate with ZICA.

The Membership and Practice Committee may also take into account any matter relating to any person who is or will be employed by the applicant or who is or will be in partnership/directorship with the applicant in connection with public practice.

Professional indemnity insurance

Holders of practising certificates must hold professional indemnity insurance (PII). In the case of a person who employs full and/or part-time staff, fidelity guarantee insurance (FGI) must be held in respect of all partners, directors and employees. Members ceasing to practice must make arrangements for the continued existence of PII and FGI for a period of six years.

Responsibility for obtaining adequate cover lies with an individual member and may be effected with any reputable insurance company or underwriter.

Continuity of practice

A holder of any practising certificate who is carrying on public practice must enter into and keep in force for all the period during which a practising certificate is held a written agreement with another accountant or firm of accountants (or a plurality of them) – the ‘nominee’. For partners/directors, this agreement may be made with another equivalent level practising certificate holder within the practice. This provides for the nominee to be responsible for the individual’s practice in the event of death or incapacity.

Continuity can be assured by entering into a continuity agreement or, in the case of incorporated firms, by making provision for it in the articles of association. The nominee must be based in the same country as the individual and be authorised to carry on all of the individual’s work (i.e. have the same types of authorisation).

Where the individual practises in more than one country, separate nominees must be appointed accordingly.

The name and address of the person or firm responsible for continuity must be given on the application form. It is mandatory that a written agreement be made and this may be inspected by ZICA.

Continuing professional development

All members are required to undertake continuing professional development (CPD), in accordance with the ZICA CPD Policy.

Most members in practice will follow the unit scheme, and are required to undertake a minimum of 40 units of relevant CPD each year, of which 21 units should be verifiable CPD.

Practising members should be able to demonstrate that they have maintained competence in the specialised areas of their practice.

Conduct

Holders of ZICA practising certificates must comply with IFAC's Code of Ethics and Conduct.

Technical standards

All partners and other persons responsible for audit work must comply with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB).

Monitoring, quality assurance and compliance

Practising certificate holders must co-operate with ZICA in its monitoring and enforcement of compliance with the Accountants Act 2008. ZICA will monitor and enforce its Accountant Act by analysing practitioners' annual returns and carrying out monitoring visits by the ZICA Practice Review Department

OTHER USEFUL INFORMATION

Renewal of practising certificates

Section 22 (1) of the Accountants Act of 2008 states that, "A practising certificate or a non-audit practising certificate shall be renewed annually in the prescribed manner and form upon payment of the prescribed fee"

Practising certificates are valid only until 31 December in the year of issue. Renewal forms and demand notices for the fees for the practising certificates are usually dispatched in September of each year. Fees for renewal of practicing certificates should be paid by 1st January each year. However, a grace period of 14 days is given from the date when the fees become due. This therefore means that the renewal fees should be paid by not later than 14th January each year.

A practitioner who fails to pay the fees by 14th January each year will have his/her practising certificate cancelled. Once cancelled, disciplinary action will be taken against a member who continues practising without a valid certificate. Further a member who wishes to resume practice after his certificate has been cancelled will have to start the application process afresh and sit for the Competence Practice Examinations.

In the event that a member has valid reasons acceptable to Council for not paying the fees on time, the member will pay the delayed fees plus a penalty fee of 20% per annum of the annual subscription over and above the annual subscription amount that is unpaid.

For the Practice Fees applicable for the Year, please contact ZICA Membership Office or check our Website www.zica.co.zm

THE FIRM'S REGISTRATION CERTIFICATE

The Accountants Act 2008 requires that a person who registers a firm of accountants under the Registration of Business Names Act shall register the firm with the Institute in the prescribed manner and form upon payment of the prescribed fee.

The firm's auditing certificate

A firm in Zambia (being a partnership, limited liability partnership or even a sole practitioner) that holds, or intends to hold, audit appointments will need to obtain audit registration from ZICA. An application form can be downloaded from ZICA's website www.zica.co.zm or obtained from the Practice Review and Membership Department.

Applying for a firm's auditing certificate

The Companies Act permits audit appointments to be held in the names of firms (sole proprietorships and partnerships) rather than in the names of individual partners/directors/members within those firms. Firms wishing to act as Registered Auditors must obtain audit registration from ZICA

A ZICA member who holds a full audit practising certificate and who wishes to carry out audit work must, in addition, hold a firm's auditing certificate. This applies (for sole practitioners) even if the sole practice trades in the practising certificate holder's name. In addition, each of the partners and other persons responsible for the firm's audit work must hold a ZICA full audit practising certificate.

Audit work includes the audits of Zambian registered companies, other statutorily regulated entities and other assignments requiring a Registered Auditor. Only a firm (including any sole proprietor practising in their own name) holding a firm's auditing certificate will be able to describe itself as a Registered Auditor(s) and will have its details placed on the Register of firms.

The fee for the firm's auditing certificate can be obtained from our Website www.zica.co.zm or ZICA Membership Office.

The firm's non-auditing certificate

A firm in Zambia (being a partnership, limited liability partnership or even a sole practitioner) that holds, or intends to hold, non-audit appointments will need to obtain registration from ZICA. An application form can be downloaded from the ZICA website www.zica.co.zm or obtained from the Practice Review and Membership Departments.

Applying for a firm's non-auditing certificate

Accounting work appointments are held in the names of firms (sole proprietorships and partnerships) rather than in the names of individual partners/directors/members within those firms. Firms wishing carry out non-audit work must obtain registration from ZICA.

A ZICA member who holds a non-audit practising certificate and who wishes to carry out accounting work must, in addition, hold a firm's non-auditing certificate. This applies (for sole practitioners) even if the sole practice trades in the practising certificate holder's name. In addition, each of the partners and other persons responsible for the firm's accounting work must hold a ZICA non-audit practising certificate.

The fee for the firm's non-auditing certificate can be obtained from our Website www.zica.co.zm or ZICA Membership Office.

Descriptions

Firms holding ZICA auditing certificates and non-auditing certificates may include the following statement on their business stationery:

For Auditing Firms: 'Registered as auditors by the Zambia Institute of Chartered Accountants'. Firms may also use the description 'Registered Auditors'.

For non-auditing Firms: 'Registered non-audit Practitioner by the Zambia Institute of Chartered Accountants'.