

SUBSIDIARY LEGISLATION

to the Gazette of the United Republic of Tanzania No. 13 Vol. 98 dated 31st March, 2017

Printed by the Government Printer Dar es Salaam by Order of Government

GOVERNMENT NOTICE NO. 150 .published on 31/03/2017

THE ACCOUNTANTS AND AUDITORS (REGISTRATION) ACT
(CAP. 286)

BY-LAWS

(Made under section 45)

THE ACCOUNTANTS AND AUDITORS (PRACTISING) BY-LAWS, 2017

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| Citations and Commencement | 1. These By-laws may be cited as the Accountants and Auditors (Practicing) By-laws, 2017. |
| Interpretation | 2. In these By-Laws, unless the context otherwise requires- |
| Cap.286 | “Act” means the Accountants and Auditors (Registration) Act;
“Ancillary entity” means an entity that provides necessary support to the main activities of an organization;
“Auditor” means a person or persons conducting the audit, usually the engagement partner or other members of the engagement team;
“Board” means the National Board of Accountants and Auditors established under the Act;
“Branch” means a separate office of an audit firm which is located somewhere other than the firm's main or principal office location established for purposes of |

Accountants and Auditors (Practising)

G.N. No. 150 (contd.)

carrying out the business activities of the firm;

“Equity Partner” means a partner who has an ownership stake in the firm and share profits;

“IFAC” means the International Federation of Accountants;

“International Standards” means the International Financial Reporting Standards also described as (IFRSs), International Standards on Auditing, also described as (ISA) and the International Public Sector Accounting Standards also described as (IPSASs);

“Partnership” means a form of business organization in which two or more persons go into business as co-owners to share profits and losses in accordance with the partnership agreement;

“Public Practice” means the practice or functions of an Auditor at the disposal of the public for a consideration;

“Salary Partner” means a partner who has neither contributed capital to the firm nor has any voting rights in the firm nor participate in the share of profits or losses but receives compensation in the form of salary or allowances. For the purpose of these By-Laws, salary partners shall not constitute a partnership.

Eligibility for
Application of
Certificate of
Practice

3.-(1) A Certified Public Accountant with the required auditing experience as set out in the Accountants and Auditors membership shall be eligible to apply for a Certificate of Practice in the manner set out in these By-laws.

(2) A successful applicant shall pay an annual practicing fee as shall be determined by the Board from time to time.

Issuance of
Practicing
Certificate

4.-(1) A person shall not be issued with the practicing certificate or have his certificate renewed unless that person-

(a) complies with the auditing and accounting standards and guidelines or similar directives as may be issued by the Board;

(b) adheres to the code of ethics and conduct issued by the Board;

(c) provides proof that he has paid the appropriate annual subscription fees in the year applying for certificate of practice;

(d) submits a proof that he has attained the required

Accountants and Auditors (Practising)

G.N. No. 150 (contd.)

minimum continuing professional development hours per annum.

(2) The due date for renewal of certificate of practice shall be not later than the first business day of July of each year.

Registration of
Practising Firms

5. A firm shall not be eligible for registration as Certified Public Accountants in Public Practice unless it-

- (a) completes an application form issued by the Board;
- (b) submits to the Board professional indemnity insurance cover;
- (c) submits proof of formation of partnership;
- (d) in the case where the firm is a sole practitioner, submit proof that there are arrangements for the continuity of the practice in the event of death or incapacity of the practitioner;
- (e) submits proof of having International Standards on Auditing compliant electronic audit manual which is regularly updated via an updating service to which the firm has subscribed;
- (f) submits proof that there is a proper place of business with proper physical address and sufficient resources to conduct professional practice; and
- (g) pays the appropriate non-refundable application fees.

Description of
Practising Firms

6. Any firm of registered members in public practice that has been duly registered shall be entitled to describe itself as Certified Public Accountant in Public Practice.

Professional
Indemnity
Insurance

7.-(1) A firm holding a registration certificate shall, satisfy the Board that it is able to meet claims against it for negligence arising out of its professional work through Professional Indemnity Insurance.

(2) Professional Indemnity Insurance is compulsory for all audit firms holding a certificate of registration.

(3) The indemnity sum shall not be less than the monetary ceiling set out in this By-law, and in any case the audit, tax, insolvency and other services sum insured shall not be less than:

- (a) A cover of thirty million shillings where there is a single engagement fee up to five million shillings, or
- (b) A cover of ninety million shillings where there is a single engagement fee greater than five million shillings or but not exceeding fifteen million shillings, or
- (c) A cover of two hundred million shillings where there is a single engagement fee greater than fifteen million shillings.

(4) Individual audit firms shall be responsible for obtaining adequate professional indemnity insurance cover.

(5) A partner of a firm which has no professional indemnity insurance cover shall not be eligible for the grant of or renewal of his practicing certificate.

Categories of
Audit Firms

8.-(1) Audit firms registered by the Board shall be categorized into Small, Medium or Large.

(2) The criteria for categorisation of audit firms shall be as follows:

- (a) in case of a small firms-
 - (i) Sole practitioner, two or more partners registered by the Board in the category of Certified Public Accountant in Public Practice;
 - (ii) At least two full time audit staff;
 - (iii) Annual turnover of below Tanzanian Shillings five hundred million.
- (b) Medium firms-
 - (i) Two or more partners registered by the Board as Certified Public Accountant with at least five years auditing experience;
 - (ii) At least ten full time audit staff two of whom must be registered by the Board in the category of Certified Public Accountant; and
 - (iii) At least annual turnover of Tanzania Shillings five hundred million.
- (c) Large firms-
 - (i) Two or more partners registered by the Board in the category of Certified Public

Accountants and Auditors (Practising)

G.N. No. 150 (contd.)

Accountant in Public Practice with at least five years audit experience; and

- (ii) At least twenty full time audit staff, five of whom must be registered by the Board in the category of Certified Public Accountant in Public Practice;
- (iii) At least annual turnover of Tanzanian Shillings one billion.

(3) An audit firm shall apply for categorization, Provided that the meets the respective category provided under subregulation (2).

Audit Firm
Annual Return

9.-(1) Any registered audit firm shall, on or before the first day of July of each year submit to the Board its annual return in the format prescribed by the Board.

(2) Without prejudice to the generality of subregulation (1), an annual return shall-

- (a) contain key information on the size and activities undertaken by the audit firm over the last twelve months;
- (b) be submitted together with the firm's latest audited financial statement.

Restriction on
Formation or
Involvement in
Ancillary
Entities

10. A registered member or a practicing firm shall not establish or engage itself in any ancillary entity in which its activities may result to a conflict of interest with the requirements of the Board.

Condition of
Partnership

11.-(1) A registered member in public practice shall not enter into partnership with a person who is not registered by the Board as a Certified Public Accountant in Public Practice.

(2) Where the partnership involves foreign partners, the local equity partners shall constitute at least fifty one percent, and in any case, the majority of partners shall be the local partners.

(3) A partner who receives salary shall not be allowed to remain a partner for more than three years unless that person has been transferred into the category of equity partner.

Accountants and Auditors (Practising)

G.N. No. 150 (contd.)

(4) A Certified Public Accountant in Public Practice shall not act as a partner and at the same time serve as an audit manager in the same practicing firm.

(5) A Certified Public Accountant in Public Practice shall not act as a partner in one firm and at the same time as an employee or partner in another practicing firm.

Condition of
Operating a Sole
Practice

12.-(1) A Certified Public Accountant in Public Practice shall not be allowed to register a firm if he is fulltime employee in the public or private entity.

(2) In any case, a firm shall not be registered by partners who are fulltime employed in a public or private entity.

Conditions for
Engaging in
Public Practice

13. A member shall be entitled to engage in public practice in the United Republic only if he holds a valid practicing certificate.

Prohibition of
Practice

14.-(1) No firm shall practice as a Certified Public Accountant in Public Practice unless it is registered with the Board as an audit firm.

(2) A person shall not practice as a Certified Public Accountant in Public Practice or register a firm unless that person is registered with the Board in the category of Certified Public Accountant in Public Practice.

(3) Any member holding a practicing certificate shall not be allowed to-

(a) attest as an individual unless he is a partner or an employee of a practicing firm registered by the Board; and

(b) operate or engage himself in a firm which is not registered by the Board.

Signing of
Audited
Financial
Statements by
Practising Firms

15.-(1) When signing audited financial statements, a practicing firm shall indicate individual names, registration number and signatures of audit partners together with the name of the firm.

(2) A member shall not sign audit opinion unless he is holding a relevant and valid practicing certificate.

Accountants and Auditors (Practising)

G.N. No. 150 (contd.)

Eligibility to
hold a Practising
Certificate

16. A member-
- (a) shall be eligible to hold a practicing certificate if he satisfies such requirements as shall be prescribed in these By-Laws;
 - (b) who fails to pay his practicing certificate fee by 30th September in the year in which it becomes due or before the expiration of three months after it has become due shall thereupon cease to be eligible for such a certificate unless the Board otherwise decides;
 - (c) who ceases to be eligible for a practicing certificate shall forthwith return his certificate to the Board; and
 - (d) who ceases to be eligible for a practicing certificate shall be prohibited from signing audit opinion for the period that he is not eligible.

Preparation of
Clients'
Accounting
Records

17. A Certified Public Accountant in Public Practice may prepare accounting records for a client, except that the accountant shall observe the following-
- (a) not to have any relationship with the client or any conflict of interest which would impair integrity or independence;
 - (b) be ready to accept responsibility for statements made by him;
 - (c) not assume the role of an employee or of management conducting the operations of the entity; and
 - (d) not audit financial statements that were prepared by himself.

Communication
with Predecessor
Auditor

18. Where the predecessor of a firm ceases to hold an audit appointment and another person is appointed on that behalf, the predecessor shall, if requested in writing by his successor, allow the successor access to all relevant information held by the predecessor in respect of its audit work,

Provided that the relevant information sought by the successor is for purposes of audit and that it is not be disclosed to

Accountants and Auditors (Practising)

G.N. No. 150 (contd.)

any third party, unless the successor is required to do so by legal instrument or upon being directed by the Board.

Retention of
Audit Working
Papers

19.-(1) A registered audit firm must keep all audit working papers which auditing standards require for an audit for a period of at least six years. The period starts with the end of the accounting period to which the papers relate.

(2) The audit working papers and other records do not have to be on paper but can instead be held on microfilm or on computers, and whatever method of storage is used, the auditor shall also keep a mechanism for gaining access to those papers.

Sub-Contracting
Audit Work

20. A registered audit firm shall make arrangements so that if any of its audit work is carried out by another firm, then:

- (a) all the audit working papers created by the sub-contracted firm are returned to the firm; or
- (b) the sub-contracted firm agrees to keep those papers and allows the other firm unrestricted access to the papers for whatever reason.

Appointment of
Audit
Compliance
Partner

21.-(1) Each audit firm, other than a sole practice, shall appoint an audit compliance partner, and the sole practitioner shall be the audit compliance partner.

(2) Subject to 21(1) the audit firm may designate as an audit compliance partner any of the partners or employees who:

- (a) has an appropriate qualification;
- (b) is competent to conduct audit work; and
- (c) is allowed to sign audit reports in their name on behalf of the firm.

(3) Before an employee can be designated as an audit compliance partner, the individual must be a member of the Board and holding a valid practicing certificate.

Change of
Addresses

22.-(1) A certified Public Accountant in Public Practice shall, within twenty one days of address, notify the Board of such change.

(2) A registered audit firm which changes its address shall, within twenty one days of change of address, notify the Board in writing specifying-

- (a) the name or trading names of the firm;
- (b) the physical address of the firm's offices;
- (c) the names of partners including new partners; and
- (d) any other information that the Board may require.

Branch
Operations

23.-(1) Any audit firm wishing to open a branch shall apply to the Board by completing the prescribed application forms, pay the appropriate application fees and submit a proof that there is a proper place of business with proper physical address.

(2) A firm shall not open or operate a branch unless that branch is registered with the Board.

(3) Any audit firm operating a branch shall be liable to disciplinary action if the branch breaches these By-laws.

(4) An audit firm shall remain liable to disciplinary action under these By-laws for any acts or omissions during the period in which audit branch status was held, even if the branch no longer exists.

Requirement and
conditions for
opening a branch

24. A registered audit firm wishing to open up a branch shall fulfil the following conditions-

- (a) the name of the branch office shall be same as the parent audit firm;
- (b) the branch office shall not have separate ownership from the parent audit firm;
- (c) the branch office must have an appointed partner or partners who is entitled to act on behalf of the parent audit firm as regards the branch office;
- (d) in the case of a partnership, a signed statement by partners concurring opening up a branch;
- (e) the branch must have a valid business license of the location if required by other laws; and
- (f) a sole practitioners is not allowed to operate a branch.

Audit Quality
Review

25. The Board may at least once in every three years visit an audit firm to monitor audit quality and where the result of the review is not satisfactory, the Board shall place the firm under review for a period of one year and the firm shall bear the cost of the subsequent review.

Accountants and Auditors (Practising)

G.N. No. 150 (contd.)

Code of ethics
for professional
accountants

26.-(1) A certified Public Accountant or certified Public Accountant in Public Practice shall comply with the requirements enshrined in the IFAC Code Ethics for professional Accountants.

(2) The Board shall, for purpose of enhancing awareness, cause to be issued in the gazetteer or website of the Board, updated version of the IFAC code.

General offences
against auditor

27.-(1) An person that-

- (a) fails to comply with the IS;
- (b) obstructs the Board from conducting audit quality review of a or firm;
- (c) provides misleading information to the Board;
- (d) fails to notify the Board of any change of addresses as provided under these By laws;
- (e) fails to comply with the requirements and conditions for opening or operation of Branch under these By laws,

commits an offence and shall be liable to-

- (a) de-registration from membership of the firm;
- (b) suspension for a period of not less than two years.

During
Suspension
Period

28. During the period of suspension, the firm:

- (a) may be given more time to complete any existing appointments;
- (b) cannot accept re-appointment as auditor;
- (c) must not accept any new appointments; and
- (d) may not sign audit reports without the permission of the Board.

De- registration
of Practicing
Firms

29. The registration of a practicing firm shall cease on the occurrence of any of the following-

- (a) where the firm is convicted in a court of law for a financial crime;
- (b) where the actions of the firm's partners constitute a gross breach of professional conduct or ethics;
- (c) failure of the firm to pay the annual firm fees for a period of more than three months from the due date;

G.N. No. 150 (contd.)

- (d) where any of the partners ceases to be a member of the Board in accordance with Section 22 of the NBAA (Membership and Registration) By-Laws;
- (e) failure of the firm to comply with the International Standards and Guidelines or directives issued by the Board from time to time;
- (f) failure of the firm to keep proper books of accounts as required by law and to pay the required tax to the Government;
- (g) failure of the firm to maintain good quality work for its clients;
- (h) failure of any one of the firm partner(s) to attain the minimum number of hours in Continuing Professional Development programmes; and
- (i) failure of any of the partners of the firm to pay the annual subscription fee for a period of more than three months from the due date.

Revocation

30. The National Board of Accountants and Auditors (Practising) By Laws 2013 shall be revoked upon coming into operation of these By Laws.

Dar es Salaam,
4th March, 2017

ISAYA I. JAIRO,
*Chairman of the National Board of
Accountants and Auditors*