2026 Volume: 02 Issue: 11 www.ijrpa.com ISSN 2456-9995 Review Article

International Journal Research Publication Analysis

Page: 01-21

THE IMPORTANCE OF ETHICS IN AUDITING: PREVENTING CONFLICTS OF INTEREST

***Joshua J. Kabwata**

DMI–St. Eugene University, Zambia.

Article Received: 24 September 2026
Article Revised: 14 October 2026
Published on: 03 November 2026

***Corresponding Author: Joshua J. Kabwata**
DMI–St. Eugene University, Zambia.

DOI: https://doi-doi.org/101555/ijrpa.3413

ABSTRACT

Auditor independence is fundamental to the credibility of financial reporting, yet the auditor's commercial relationship with the client creates recurring risks to objectivity. This critical narrative review examines how professional ethics prevents, identifies and addresses conflicts of interest in financial-statement auditing, with particular attention to the Zambian context. It integrates the International Ethics Standards Board for Accountants' 2025 Code, the International Auditing and Assurance Standards Board's quality-management framework, Zambia's Accountants Act, 2008, the Companies Act, 2017, and the Companies (Amendment) Act, 2025. It also draws on established academic literature and carefully delimited lessons from Enron and Wirecard. The analysis distinguishes conflicts of interest from the broader concept of independence and explains why disclosure, consent and review are not universal remedies: some relationships or services are prohibited and some residual threats necessitate declining or ending an engagement. The article proposes an auditable decision pathway integrating conflict screening, threat evaluation, documented responses, independent quality review and oversight by those charged with governance. Its original contribution is to connect general ethical principles to Zambia's express statutory conflict rule and updated key-auditor tenure requirements. Because the paper is a narrative review, it does not report primary survey results or estimate the prevalence of ethical breaches in Zambia. The central conclusion is that auditor ethics becomes effective when independence is operationalised through enforceable decisions, documented evidence and institutional accountability.

KEYWORDS: Auditor Ethics; Conflict of Interest; Auditor Independence; Professional Scepticism; Zambia; Audit Quality; Zica; Iesba.

1. INTRODUCTION

An independent audit serves people who cannot themselves inspect an organisation's transactions: shareholders, lenders, regulators, employees and other users of financial statements. The auditor provides reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. That assurance depends on technical competence, appropriate evidence and the auditor's willingness to report findings even when the client would prefer a different conclusion (IAASB, 2020c; DeAngelo, 1981).

The commercial structure of auditing makes ethics unavoidable. In many engagements, the organisation whose statements are audited also engages and pays the audit firm. Audit teams may develop long relationships with management, depend on a client for a material share of fees, or be asked to provide advice that they later have to audit. Such circumstances do not prove that an auditor has acted improperly, but they can create incentives or perceptions that weaken objective judgment (Moore et al., 2006; IESBA, 2025).

A narrow view of ethics treats independence as a signed annual declaration. A stronger view treats it as an ongoing decision system: relevant interests are identified; threats are evaluated against an informed third-party perspective; the cause is removed, a permitted safeguard is applied, or the work is declined; and the judgment is revisited as facts change. The International Code of Ethics for Professional Accountants (including International Independence Standards) establishes this structure (IESBA, 2025).

For Zambia, the issue is particularly concrete. Section 258 of the Companies Act, 2017 addresses whether an auditor's judgment is impaired by a relationship with, or interest in, the company or a related company. Zambia's Companies (Amendment) Act, 2025 also revises Section 257 to provide specific tenure and cooling-off requirements for individuals performing key audit roles at public-interest entities (Republic of Zambia, 2017, 2025). These provisions bring conflicts and long association from general professional values into specific legal governance questions.

2. Problem, purpose and contribution

The central problem is not simply that audit firms encounter competing interests. It is that economically attractive relationships and organisational pressures can be normalised until the audit team no longer questions whether its judgment remains independent. Moreover, a firm may mistakenly assume that general disclosure, client consent or a second reviewer cures any concern, despite outright prohibitions and circumstances for which safeguards cannot reduce threats to an acceptable level (IESBA, 2025).

This article asks three questions. First, which circumstances create ethical threats in audit engagements, and through what mechanisms can they affect professional judgment? Second, how do the IESBA Code, international quality-management standards and Zambian legislation require those threats to be addressed? Third, which practical arrangements can an audit practice adopt to make its independence decisions transparent, proportionate and capable of review?

The contribution is a Zambia-focused synthesis that separates three issues often collapsed in student writing: an ethical conflict, an independence requirement, and the quality of the audit work itself. They are related but are not identical. Independence does not guarantee that an audit will detect every material misstatement, and an audit deficiency is not, by itself, proof of a conflict. The article therefore refrains from attributing all audit failures to unethical motives.

3. Review approach and scope

This is a critical narrative review and conceptual analysis, not a systematic review or an empirical survey. Its source base comprises official standard-setter publications, Zambian legislation and professional guidance, selected peer-reviewed scholarship, and public institutional accounts of major audit controversies. Core documents were selected for their direct authority over ethics, independence, audit quality or the Zambian legal setting. A targeted search for current revisions was undertaken up to September 2026. The review interprets sources thematically rather than calculating pooled effects or estimating causal relationships.

Primary normative documents provide the basis for requirements: the IESBA 2025 Handbook and explanatory materials, IAASB standards on audit quality management, the Accountants Act, 2008, the Companies Act, 2017, the Companies (Amendment) Act, 2025, and guidance published by the Zambia Institute of Chartered Accountants (ZICA). Academic contributions from DeAngelo (1981) and Moore et al. (2006) inform the analysis of incentives and behavioural susceptibility. Public accounts from the US Government Accountability Office and the German Bundestag are treated as context-bound case material, not evidence that the same outcomes occur in Zambia.

Table 1. Source roles and limits in the review.

Evidence type	Principal use	What it cannot establish
Statutes and ethical standards	Specify applicable duties, constraints and response processes.	Whether individual firms complied in practice.
Professional guidance	Explain independence, quality systems and implementation.	Prevalence or causal effect without supporting field evidence.
Peer-reviewed theory	Explain economic incentives and possible unconscious bias.	A confirmed motive in a particular historical case.
Public case accounts	Illustrate governance questions and audit scrutiny.	That every audit failure stems from a conflict of interest.

The 2025 IESBA Handbook was the most recent handbook identified for this review. Some changes included in its publication are approved but take effect only in December 2026 or later; they are not described here as already effective in September 2026 (IESBA, 2025). The same timing distinction applies to ISA 240 (Revised), published in 2025 but generally effective for periods beginning on or after 15 December 2026 (IAASB, 2025).

4. Analytical foundations

4.1 Agency relationships and the demand for an independent audit

Financial reporting contains an information asymmetry: management prepares the records and ordinarily knows more about the entity than outside investors or lenders. An audit responds to the demand for credible external scrutiny. DeAngelo (1981) analysed the economic relationship between audit quality and an auditor's incentives to report breaches. Her argument illuminates a crucial distinction: the competence to detect a problem and the independence to report it are both relevant to audit quality. A technically strong auditor can still face economic pressure when an unfavourable report jeopardises a valuable client relationship.

4.2 Behavioural conflict and the limits of good intentions

Moore et al. (2006) advanced a behavioural explanation of auditor conflicts in which biased judgment can develop through gradual accommodation, not merely deliberate dishonesty. Their account helps explain why an auditor's personal conviction that "I am objective" cannot substitute for an external test and a documented, independent review. However, behavioural theory identifies risks rather than proving that a particular person acted with bias. Its practical implication is to design systems that do not depend exclusively on self-assessment.

4.3 An integrated conceptual model

Figure 1 connects the causes of ethical exposure to the five threat categories, the professional

response and the intended public-interest outcome. The arrows represent analytical relationships proposed by this review, not estimated coefficients or findings from Zambian respondents. Firm governance and external oversight operate across the process, rather than appearing only after a failure.

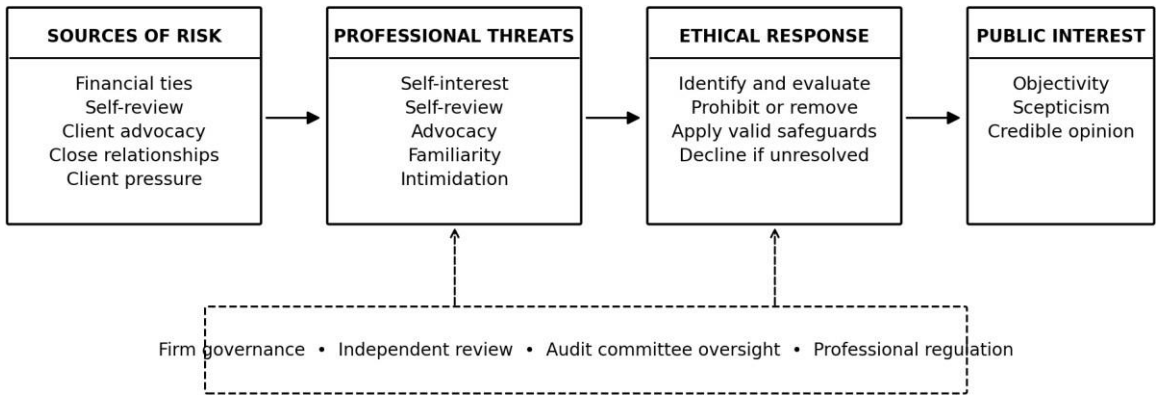

Figure 1. Conceptual pathway from conflict exposure to credible assurance. IESBA (2025), IAASB (2020a, 2020c) and Moore et al. (2006).

5. The ethical and regulatory architecture

5.1 Five fundamental principles and the conceptual framework

The IESBA Code articulates integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Objectivity directly concerns bias, conflicting interests and undue influence; confidentiality matters when a firm serves competing clients; professional competence and due care matter when judgment is delegated to staff without adequate ability or supervision. The principles are mutually reinforcing rather than substitutes for one another (IESBA, 2025).

Section 120 of the Code requires professionals to identify, evaluate and address threats. The evaluation considers whether a reasonable and informed third party would be likely to conclude that compliance is maintained at an acceptable level. If not, the accountant must eliminate the cause, apply safeguards capable of reducing the threat to an acceptable level, or decline or end the activity. An explicit prohibition is not overridden by a favourable assessment of the remaining threat (IESBA, 2025).

5.2 Conflict of interest is not synonymous with independence

Section 310 addresses conflicts of interest encountered by professional accountants in public practice, including acting for clients with conflicting interests or having interests that conflict with a client's interests. For audit and review engagements, Part 4A adds independence

requirements covering financial interests, loans, business and family relationships, employment, fees, non-assurance services and long association. A firm may need to address both Section 310 and Part 4A for one fact pattern. Obtaining an affected client's consent under conflict provisions does not suspend the separate independence requirements (IESBA, 2025).

Independence has a substantive and a perceptual dimension. The professional must exercise judgment without being compromised, and the circumstances should not reasonably lead an informed observer to conclude that independence has been impaired. The important practical question is therefore not only whether an auditor believes a relationship has affected them, but whether the relationship is permissible and what an informed observer would infer from the documented facts (IESBA, 2025; GAO, 2003).

5.3 The distinct purposes of ISQM 1, ISQM 2 and ISA 220

The audit firm's system of quality management is governed by International Standard on Quality Management (ISQM) 1; ISQM 2 governs engagement quality reviews; and ISA 220 (Revised) addresses responsibilities for managing and achieving quality on an individual financial-statement audit, including the engagement partner's role. These standards work together, but ISA 220 does not by itself impose the entire firm-level system, and an engagement quality review is not mandatory on every audit solely because the work is an audit (IAASB, 2020a, 2020b, 2020c).

Practical independence arrangements should therefore be embedded in acceptance and continuance, ethical confirmations, consultation, personnel assignment, engagement review, monitoring and remediation. The engagement partner needs access to firm-level systems but still retains responsibility for the audit engagement. An independent quality reviewer can challenge judgments, but cannot legalise a prohibited financial interest or other explicitly impermissible relationship.

5.4 Disclosure, consent, safeguards and prohibitions are distinct

Disclosure is a process for informing a client or a relevant governance body about a relationship or potential conflict. Consent records agreement where the applicable professional requirements permit the service to continue. A safeguard is an action that effectively reduces a threat to an acceptable level. A prohibition is different: it rules out a relationship, interest or service regardless of whether management consents or the auditor considers themselves objective. These concepts should not be used interchangeably. In particular, a second partner review may provide challenge over a difficult judgment, but it does not permit an auditor to retain a disallowed direct financial interest in the audit client (IESBA, 2025).

A practical decision begins by reading the particular rule, not by selecting a preferred remedy. A conflict involving two non-audit advisory clients may give rise to consent and confidentiality questions under Section 310. An auditor providing a prohibited non-assurance service to a particular audit client faces an independence requirement that cannot be waived through client consent. Treating every issue as a generic "conflict" obscures this important distinction and can produce a polished but defective compliance file.

5.5 Fee concentration, tenure and non-assurance services

Fee dependence deserves careful analysis because it changes the consequences of disagreeing with management. If the loss of one client would cause serious financial disruption to an audit firm or partner, the incentive to avoid disagreement may intensify even when neither party makes an explicit threat. However, the IESBA Code differentiates audit-client categories, years of concentration, disclosures and review arrangements. The original student draft referred to a 15% test as though it applied automatically to every Zambian auditor. The correct assessment depends on the client's status, the applicable version of the Code, the duration of the relationship and any more demanding local requirements (IESBA, 2025).

Non-assurance services can create additional risks where the auditor takes on management functions or later has to evaluate the product of the firm's own advice. Not every permitted advisory interaction is automatically an ethical breach. It is the precise nature of the task, the relevant client classification, and whether the firm will audit its own work or assume management responsibility that must be examined. A sound approval process should define the proposed deliverable in advance, identify the person in the client who retains management responsibility and explicitly record the applicable independence conclusion.

Rotation addresses the particular risk that long association can cause overconfidence or excessive accommodation. It is not a substitute for partner competence and continuity planning. The firm should prepare an orderly transition with a new partner who has sufficient sector knowledge, and retain access to prior audit judgments for appropriate challenge. Simply changing the name on an audit report without transferring effective responsibility would not capture the purpose of a tenure control.

5.6 Professional scepticism as observable conduct

Professional scepticism is often described as a questioning mindset. For this article, its operational value lies in actions: identifying evidence inconsistent with management explanations, testing the reliability of information from third parties, investigating unusual transactions, and documenting the basis for accepting or rejecting competing interpretations. A statement that a team "remained sceptical" is weak documentation if it cannot be linked to

the work performed (IAASB, 2020c).

Strong ethical controls make challenge easier. They give junior auditors a safe route to raise concerns, require consultation where the engagement partner is personally involved, and prevent commercial staff from overruling a technical conclusion. Conversely, a firm could have technically elaborate audit programmes and still be vulnerable if reviewers hesitate to question a powerful client. Independence and substantive evidence are complementary, and neither should be treated as proof of the other.

6. Five recurring threats to ethical judgment

6.1 Self-interest

Self-interest arises when fees, employment prospects, loans, investments or other benefits could inappropriately influence judgment. An illustrative case is an auditor who owns shares in the audit client and would personally benefit from a favourable financial statement. Another is an audit partner whose client represents a large portion of the firm's revenue. These situations require distinct analysis: some financial interests are prohibited, whereas fee concentration is subject to applicable requirements and a context-sensitive evaluation. It would be inaccurate to present a single 15% threshold as a universal rule for every audit client and every Zambian practice (IESBA, 2025).

6.2 Self-review

Self-review occurs when audit personnel are placed in a position of evaluating work previously performed by themselves or their firm. The tension is most obvious when the audit firm prepares a material accounting estimate, designs key controls or makes management decisions, then later audits the resulting financial information. Separating teams may assist in some situations but does not cure services prohibited for the relevant category of audit client. The firm must first determine whether the service is allowed, not merely whether its work can be independently checked (IESBA, 2025).

6.3 Advocacy

Advocacy arises where promoting a client's transaction, dispute or investment proposition risks turning the auditor into the client's representative. If the audit firm markets the client's securities and later assesses valuations connected with the transaction, professional judgment may be compromised or appear compromised. The appropriate response depends on the precise service and independence rules. Confidential information obtained from another client can add a separate conflict requiring protected information flows or refusal of the proposed work (IESBA, 2025, Section 310).

6.4 Familiarity

Familiarity may arise from close family ties, former employment or a prolonged relationship with the same audit client. Familiarity does not mean that professional friendship automatically establishes misconduct; rather, repeated interactions can reduce the likelihood of challenging management explanations or testing contradictory evidence. Long association is especially important for key audit roles and public-interest entities, where rotation and cooling-off requirements may apply (IESBA, 2025; Republic of Zambia, 2025).

6.5 Intimidation

Intimidation includes threats of dismissal, litigation, fee withdrawal or restricted access to evidence when auditors raise difficult findings. An engagement team that depends on management for promotion or continued client access may underreact even without an overt threat. Escalation to the engagement partner, those charged with governance, a firm ethics function or an appropriate regulator may be necessary. The response must also preserve confidentiality and comply with relevant legal duties (IESBA, 2025).

6.6 Conflicts involving personnel changes and networks

An independence analysis must look beyond the partner who signs the report. A former client finance director recruited to the audit team may have recently made decisions that the team is expected to assess. A prospective engagement partner may have a close family member working in a financial-reporting role at the client. Where firms are part of a network, an investment, loan or service provided by another network member can also become relevant. The appropriate response depends on the precise relationships and the defined independence perimeter; a disclosure form completed by only one office can miss essential facts (IESBA, 2025).

The firm should identify who owns cross-office checks, what information is searched, how a potential match is escalated and what happens when a colleague cannot promptly provide confirmation. These are practical process questions, not merely ethical aspirations. A new client should not be accepted on the assumption that a network check can be completed after the audit has already begun if its result could reveal a prohibited interest.

6.7 Confidentiality and competing-client engagements

A conflict can exist even where the auditor has no shares and receives no unusual fees. For example, a practice that audits one company may be invited to advise a competing bidder during an acquisition process. Confidential forecasts and financing information obtained in the audit might be material to the bidder. Information barriers may reduce a confidentiality risk in some permitted situations, but the firm first has to assess whether serving both parties is

consistent with the relevant conflict and independence requirements. Client consent may be necessary for an otherwise permitted engagement, but consent cannot authorise disclosure of information belonging to another client (IESBA, 2025, Section 310).

A useful safeguard design begins with the information itself: who has access, whether the teams share partners or staff, what the engagement letters say, whether files can be segregated and who monitors access. General promises to "keep matters confidential" are weaker than documented controls supported by clear contractual duties. If the practice cannot protect the relevant information or avoid an incompatible role, declining the new work may be the only defensible outcome.

Table 2. Threats, warning signs and proportionate responses.

Threat	Illustrative warning sign	Response to consider
Self-interest	Direct holding in audit client; concentrated fees.	Check prohibition; remove interest; assess fee dependence and applicable reviews.
Self-review	Firm prepares figures or controls that its team later audits.	Test permissibility of the service; avoid management responsibility; decline prohibited work.
Advocacy	Firm publicly promotes the client's disputed financial position.	Assess role conflict; avoid advocacy incompatible with independence.
Familiarity	Long key-role tenure or close personal relationship.	Assess relationships; apply applicable rotation and cooling-off; replace personnel.
Intimidation	Management threatens dismissal over a proposed modified opinion.	Escalate, document, protect evidence and consider discontinuance.

7. Turning principles into an auditable decision pathway

Ethical reasoning becomes credible when the decisions leave a trace that another qualified person can follow. Figure 2 sets out a practical pathway for client acceptance and continuance. The same logic applies when a new risk arises mid-engagement, such as a staff member joining from the client, a merger, an unexpected investment or a new non-audit service request. A decision file should record the relationship, affected client or network entities, the applicable rule, who evaluated it, the alternative responses and the resolution.

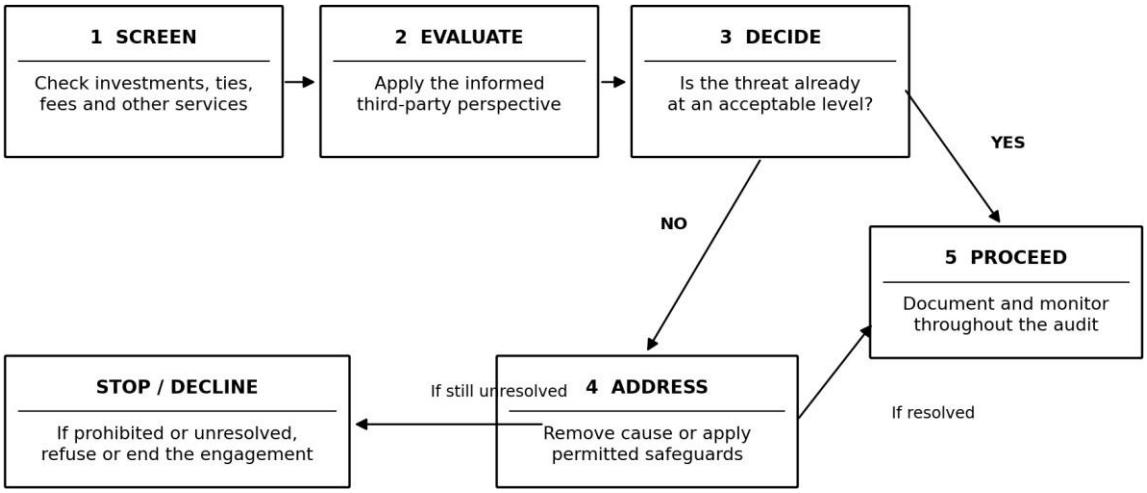

Figure 2. Practical decision pathway for independence and conflict screening.

7.1 Screening before acceptance

The firm should confirm the identity of the prospective client and its related entities, beneficial ownership where relevant, existing services, outstanding fees, staff and partner financial interests, family and employment connections, and potential competition with current clients. Because networks can create cross-office relationships, a purely local check may be insufficient for network firms. Clear ownership of the conflict register matters more than the complexity of the software used to maintain it.

7.2 Assessment and response

The screening result should be classified into at least three outcomes: no identified threat at an unacceptable level; a remediable threat with documented permitted safeguards; or a prohibited or unresolved situation requiring withdrawal, removal of the conflicting interest, or refusal. This classification prevents the common error of treating a signature as proof of independence. When client disclosure or consent is relevant to a Section 310 conflict, confidentiality and any applicable independence prohibition must still be assessed separately (IESBA, 2025).

7.3 Continuing monitoring and reporting

The conflict assessment should be revisited when the client's group structure changes, a staff member acquires shares, a new advisory proposal arrives or a senior auditor becomes eligible for rotation. Monitoring should identify exceptions and test whether corrective actions were implemented. For serious matters, the engagement team should consider the appropriate communications with those charged with governance and any legally required reporting. Internal escalation does not replace the auditor's ultimate responsibility to issue an appropriate opinion.

7.4 Worked application: four illustrative engagement decisions

Scenario A: a team member holds a direct financial interest. A staff member assigned to the statutory audit discloses a small personal investment in the client. The amount may appear immaterial to the employee, but the firm should not decide the matter solely by comparing the investment with salary. It must check the applicable direct-interest prohibition, the staff member's status, and the entities covered by the independence rules. If the interest is prohibited, the firm must require its disposal or otherwise remove the incompatibility before the person participates. A note saying that the staff member promises to be fair is not an adequate resolution (IESBA, 2025, Part 4A).

Scenario B: the client asks the audit firm to create a valuation. A long-standing client requests the same firm to develop the valuation of a material acquisition while its audit is under way. The firm should establish the actual scope: is it merely explaining standards, assisting with data, producing a valuation that management will adopt, or making a management decision? It should then apply the relevant independence provisions, including the client category. Creating a separate advisory team and hiring an outside reviewer may be irrelevant if the service is prohibited. If the service can lawfully proceed, management responsibility, threats and safeguards still require documentation.

Scenario C: management threatens to replace the auditor. A finance director warns that a modified audit opinion will lead to the firm losing the next tender. The team should preserve the underlying audit evidence, inform the engagement partner and use the firm's consultation arrangements. The partner should evaluate the effect of intimidation on judgment and the appropriate communications with those charged with governance. A defensible decision is grounded in evidence and applicable reporting standards, not in a promise to retain the appointment. If management obstructs access to material information, the team must consider the reporting implications under the relevant auditing standards.

Scenario D: a key auditor has served the same public-interest entity for seven years. The practice identifies that its signing partner is at the end of the maximum consecutive role period under the amended Zambian Section 257. The partner cannot continue simply because the client wants consistency. The firm should plan a qualified replacement and monitor the five-year cooling-off period applicable to that signing role. It must also distinguish this from the three-year period applicable to an engagement quality reviewer and the two-year period for another key audit role. The amended text addresses individuals in specified roles, not a blanket five-year ban on the entire audit firm (Republic of Zambia, 2025).

These scenarios are hypothetical training examples developed for this article. They are not

findings about Joshua Kabwata's university, any Zambian audit firm or any identifiable client. Their value is to make the reasoning visible: determine the facts; identify the correct source and scope of the obligation; decide whether prohibition, an effective safeguard or withdrawal applies; and keep evidence that allows another professional to understand the conclusion.

8. What historical controversies can and cannot show

8.1 Enron and Arthur Andersen

Enron's 2001 collapse triggered scrutiny of financial reporting, corporate governance and independent audit oversight in the United States. The US Government Accountability Office documented concerns about auditors' provision of consulting services to audit clients and the pressures that could arise when non-audit fees were commercially significant. The dissolution of Arthur Andersen in 2002 also reshaped the market for major public-company audits (GAO, 2002, 2003).

The relevant lesson is institutional rather than simplistic: governance, auditor incentives, financial reporting and regulatory oversight interact. This case should not be reduced to an unsupported statement that consulting fees alone caused Enron's collapse or that all auditors with advisory clients necessarily lack integrity. The case instead illustrates why independence rules must be integrated with substantive audit evidence and effective corporate oversight.

8.2 Wirecard and the scrutiny of audit evidence

The 2020 Wirecard collapse prompted a German parliamentary inquiry into, among other matters, the audit treatment of purported trustee account balances of approximately €1.9 billion. During a March 2021 hearing, legislators questioned whether the auditor should have pursued more direct evidence sooner (Deutscher Bundestag, 2021). These public questions are relevant to professional scepticism and the sufficiency of audit evidence.

The publicly documented concerns should not be treated as proof, within this review, that a particular undisclosed personal conflict caused Wirecard's failure. The case illustrates the need to distinguish failure to obtain sufficient appropriate evidence from a specifically established independence breach. An ethical culture supports sceptical inquiry, but a substantive conclusion about a particular auditor's culpability requires case-specific evidence and due process.

Table 3. Case illustrations and the limits of inference.

Case	Documented public issue	Relevance to this article	Limit
Enron / Arthur Andersen	Independent audit, governance and consulting-related independence drew official scrutiny.	Commercial incentives, separation of services and oversight.	Consulting fees alone are not shown here to be the sole cause.
Wirecard	Parliamentary inquiry questioned scrutiny of purported €1.9bn trustee balances.	Professional scepticism and reliable third-party audit evidence.	An independence breach cannot be inferred from an audit controversy alone.

9. The Zambian legal and professional context

9.1 Statutory foundations

The Accountants Act, 2008 (Act No. 13 of 2008) regulates the accountancy profession, continues ZICA and provides for standards, practice regulation and disciplinary processes. It is the appropriate central statute for the profession; referring vaguely to a separate "Public Accountants Act" as the governing Zambian law risks misleading readers. ZICA's published ethics guidance describes the Code of Ethics as applying to members and other covered persons and recognises auditor independence as an objective approach to audit work (Republic of Zambia, 2008; ZICA, n.d.).

The Companies Act, 2017 sets requirements relating to auditor qualifications and the statutory audit. Section 258 expressly directs auditors to ensure that their judgment is not impaired by a relationship with, or interest in, the audited company or a related company. Section 259 addresses the auditor's report and relevant disclosures. These are direct, Zambia-specific anchors for an article about preventing conflicts, rather than merely quoting foreign professional codes (Republic of Zambia, 2017).

9.2 The 2025 amendment and key-auditor tenure

The Companies (Amendment) Act, 2025 (Act No. 23 of 2025), which amends the Companies Act, changes Section 257 in relation to individuals in key roles at a public-interest entity. It provides that an individual may not perform a specified key audit role for the same public-interest entity for more than seven consecutive years. It then sets different cooling-off periods: five years for the partner signing the audit report, three years for an engagement quality reviewer and two years for another individual in a key audit role. The amended text states that these individual-role provisions do not apply to a firm as such (Republic of Zambia, 2025, s. 18).

Figure 3 displays only the three statutory cooling-off periods. The bars are not survey scores

or estimates of the incidence of conflicts. The seven-year maximum continuous role period applies to each of the specified categories, while the subsequent waiting period differs by role. Audit firms should still verify how these statutory provisions interact with the IESBA Code, contractual duties and the precise classification of the entity.

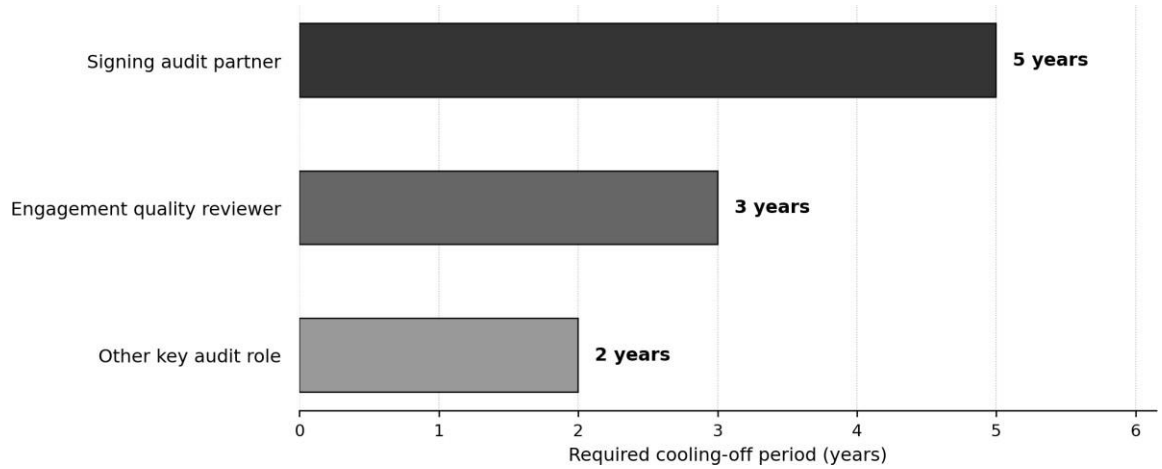

Figure 3. Cooling-off periods for specified key audit roles in Zambian public-interest entities.

Source: Republic of Zambia (2025), Companies (Amendment) Act, s. 18, amending Companies Act s. 257.

9.3 What the Zambian evidence does not yet tell us

The presence of statutory rules and ZICA guidance does not reveal how often conflicts occur in Chipata, how many firms maintain a conflicts register or whether a particular safeguard improves audit quality by a given percentage. Those are empirical questions requiring properly sampled firm or engagement data and appropriate ethical approval. This article therefore treats plausible difficulties for smaller practices, such as resource limits and concentrated client portfolios, as contextual risks to investigate, not established national prevalence estimates.

The international code and United States AICPA or Sarbanes-Oxley requirements should also not be described as interchangeable Zambian law. US requirements can supply useful comparative examples, but their jurisdiction and scope must be identified. The discussion here

prioritises Zambian legislation and ZICA guidance, using the IESBA and IAASB materials as international professional reference points.

9.4 Interpreting the law without overclaiming compliance

A careful practitioner should maintain a distinction between what a Zambian statute expressly requires, what ZICA requires of its members and firms, and what international standard-setters recommend or mandate within their own standards. A professional body's explanatory web page does not by itself establish that every future IESBA amendment became Zambian law on publication. Likewise, an old edition of a code should not be used to state a numerical threshold without checking current wording. The appropriate legal and professional texts, client category and engagement date must be documented at the point of the decision.

Zambia's 2025 amendment is an instructive example. An article written in 2023 would not have been able to describe the revised Section 257 as then-effective. A 2026 article needs to include the amendment but also avoid wrongly extending its public-interest-entity tenure rule to every small-company audit. That discipline is particularly important for students preparing a technical seminar: precise conditions are more valuable than confident generalisations.

10. A practical implementation framework for audit firms

10.1 Policies proportionate to practice size

A small audit practice does not necessarily need expensive compliance software to keep an effective independence register. It does need assigned responsibility, an up-to-date list of clients and related entities, declarations from staff, a log of non-audit service requests, a process for consultation and decisions recorded before work starts. A larger network will need stronger cross-office searches and controls over information sharing. In either case, a policy that cannot interrupt a profitable but prohibited engagement is ineffective.

10.2 Governance and accountability

Those charged with governance should understand the audit firm's significant relationships and the arrangements through which independence is protected. Management should not be able to suppress the flow of audit evidence or bypass the audit committee on a sensitive dispute. The firm's leadership should support consultation, protect employees who raise genuine concerns and resist fee targets that reward retaining clients at any ethical cost (IAASB, 2020a; Moore et al., 2006).

10.3 Training through realistic dilemmas

Ethics training is stronger when auditors practise decisions rather than memorising five threat names. For example: a junior accountant acquires a small shareholding in a listed audit client;

a manager is asked to design a control later subject to audit; a partner's relative joins client finance; an audit committee asks for a difficult judgment to be changed; a firm is invited to act for two competing bidders. Each scenario should require the trainee to identify the applicable rule, evaluate consequences, specify the permissible response and record why the decision is defensible.

Table 4. A proportionate independence-control checklist.

Control point	Minimum documented evidence	Responsible role
Client acceptance	Identity/group checks; independence screen; other services.	Engagement partner or designated ethics lead.
Personnel assignment	Declarations of financial, family and employment ties.	All assigned personnel; monitored by firm.
Service approval	Permissibility assessment before non-assurance work begins.	Partner / ethics consultation.
Key-role tenure	Cumulative years and statutory cooling-off dates where relevant.	Firm quality-management function.
Engagement execution	Consultations, challenge of contradictory evidence and escalation.	Engagement partner and team.
Completion and monitoring	Independence reassessment; required review; remediation log.	Engagement partner and firm leadership.

Note: Suggested implementation record, not an exhaustive legal compliance checklist. Specific standards may impose further requirements.

10.4 How an independence decision record should read

An effective record can be concise but must be substantive. The first entry describes the relationship or service in factual terms, including dates and affected entities. The second identifies the relevant provision, client classification and personnel status. The third explains why the relationship is prohibited, acceptable or requires further analysis, using the reasonable and informed third-party perspective where appropriate. The fourth records the action, the person responsible, the deadline and the evidence of completion. The last entry records review or re-assessment when conditions change.

For example, "Partner knows finance director; no issue" is not a useful file note. A better record would state the nature and duration of the relationship, whether there are family or financial ties, how the partner's role affects the engagement, whether the relevant long-association provisions apply, what independent judgment was obtained and the reason for the outcome. The object is not to generate paperwork for its own sake, but to preserve a reliable account of how the firm protected an audit decision when its commercial interests were in tension.

11. Emerging ethical pressures

Audit technology can accelerate evidence processing, but it also creates new conflict and confidentiality questions. Outsourced analytics providers, cloud platforms and artificial intelligence tools may receive sensitive client information or create financial and business relationships that the audit firm has not screened. Decisions concerning data access, external experts, reliance on automated outputs and vendor interests should be considered alongside the ordinary independence process. Technological sophistication does not remove responsibility for professional judgment.

Sustainability assurance extends the same public-interest issues into non-financial reporting. In 2025 the IESBA published its international ethics standards for sustainability assurance and revisions concerning the work of external experts, with significant provisions becoming effective in December 2026 and some value-chain independence provisions later. The IAASB's revised fraud standard, ISA 240 (Revised), is also effective for periods beginning on or after 15 December 2026. As at September 2026, these dates are forward-looking implementation points, not proof of already-effective blanket obligations in all jurisdictions (IESBA, 2025; IAASB, 2025).

12. Discussion: independence as a system, not a declaration

Three conclusions follow from the synthesis. First, independence is preventive: screening and avoiding incompatible services matter before any audit report is issued. Second, independence is dynamic: a previously acceptable relationship may become unacceptable after a change of personnel, ownership, client status or service mix. Third, independence is collective: the auditor's conscience remains important, but firm policy, governance oversight and professional enforcement shape whether an individual can act on a concern.

A purely rules-based programme can fail when staff search for technical loopholes; a purely principles-based programme can fail when staff believe any relationship is defensible if they sign a declaration. Combining clear prohibitions with documented judgment better respects both the letter and purpose of ethical requirements. In the Zambian setting, the statutory conflict provision and the new key-role tenure rules provide useful practical checkpoints, but they must be implemented rather than merely cited in training manuals.

Nor should ethics be treated as an assurance guarantee. An auditor can remain independent yet make a technical error or fail to obtain sufficient appropriate evidence. Conversely, identifying an audit deficiency does not establish an unethical motive. Distinguishing these possibilities makes training and regulatory analysis more precise and avoids using serious

international cases as rhetorical proof of unmeasured local misconduct.

13. Recommendations

For audit practices, the immediate priority is a single accountable independence process covering acceptance, personnel interests, additional services, tenure monitoring, consultation and remedial action. For engagement partners, independence must be reassessed at significant changes in circumstances and the audit evidence must remain open to sceptical challenge. For boards and audit committees, the priority is to protect access to information and ensure management cannot dictate the audit opinion.

For ZICA and relevant regulators, continuing professional education can focus on documented case exercises, the 2025 amendments and the distinction between prohibited services and remediable threats. Training materials should identify the specific legal or professional source of each requirement. For universities, seminar students should practise defending a conflict-screening decision, rather than simply listing five categories of threats. Future field research could examine the design of independence registers, reporting channels and partner-rotation records in a properly defined sample of Zambian audit firms.

14. Limitations and research agenda

The review is bounded by selected publicly accessible standards, statutes, scholarship and case accounts. It is not an exhaustive legal opinion and does not replace current professional advice on an individual engagement. It includes no interviews, survey respondents or proprietary inspection files. Consequently, it cannot quantify the effectiveness of controls, rank Zambian firms, infer intentions from public controversies or claim that a particular percentage of audit failures is caused by conflicts of interest.

A subsequent empirical study could use anonymised firm-level questionnaires and documentary checks to investigate which conflicts are identified at acceptance, how non-audit services are approved, how long association is monitored and whether practitioners can demonstrate completed remedial actions. Researchers should separate firm size, client category and jurisdiction; obtain proper consent; protect confidential client information; and define audit-quality outcomes independently of self-reported perceptions. Qualitative interviews with audit committee members could then help explain how governance responds when a difficult independence question arises.

15. CONCLUSION

The importance of ethics in auditing lies in making professional judgment worthy of trust

before the report is signed. The IESBA Code describes the ethical reasoning; quality-management standards distribute responsibilities across firms and engagement teams; and Zambian law adds explicit duties concerning conflicts and key-auditor tenure. Together they support a practical sequence: disclose and screen relevant interests, assess applicable prohibitions and threats, remove or address what can lawfully be addressed, refuse unresolved work, and record the reasoning. Independence is therefore neither a slogan nor a form signed once a year. It is an auditable pattern of decisions that protects the credibility of financial reporting and the public interest.

REFERENCES

1. DeAngelo, L. E. (1981). Auditor size and audit quality. Journal of Accounting and Economics, 3(3), 183–199. https://doi.org/10.1016/0165-4101(81)90002-1
2. Deutscher Bundestag. (2021, March 19). Leistung der Wirtschaftsprüfer im Fall Wirecard hinterfragt [Auditors' work questioned in the Wirecard case]. https://www.bundestag.de/dokumente/textarchiv/2021/kw11-pa-3-ua-fr-827990
3. International Auditing and Assurance Standards Board (IAASB). (2020a). International Standard on Quality Management 1: Quality management for firms that perform audits or reviews of financial statements, or other assurance or related services engagements. https://www.iaasb.org/focus-areas/quality-management
4. International Auditing and Assurance Standards Board (IAASB). (2020b). International Standard on Quality Management 2: Engagement quality reviews. https://www.iaasb.org/focus-areas/quality-management
5. International Auditing and Assurance Standards Board (IAASB). (2020c). International Standard on Auditing 220 (Revised): Quality management for an audit of financial statements. https://www.iaasb.org/publications/international-standard-auditing-220-revised-quality-management-audit-financial-statements
6. International Auditing and Assurance Standards Board (IAASB). (2025). ISA 240 (Revised): The auditor's responsibilities relating to fraud in an audit of financial statements. https://www.iaasb.org/publications/isa-240-revised-auditor-s-responsibilities-relating-fraud-audit-financial-statements
7. International Ethics Standards Board for Accountants (IESBA). (2025). 2025 handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards). https://www.ethicsboard.org/publications/2025-handbook-international-code-ethics-professional-accountants

8. Moore, D. A., Tetlock, P. E., Tanlu, L., & Bazerman, M. H. (2006). Conflicts of interest and the case of auditor independence: Moral seduction and strategic issue cycling. Academy of Management Review, 31(1), 10–29. https://doi.org/10.5465/amr.2006.19379621
9. Republic of Zambia. (2008). Accountants Act, 2008 (Act No. 13 of 2008). https://media.zambialii.org/media/legislation/32566/source_file/db7a0e99fee92aa4/zm-act-2008-13-publication-document.pdf
10. Republic of Zambia. (2017). Companies Act, 2017 (Act No. 10 of 2017), especially sections 256–259. https://zambialii.org/akn/zm/act/2017/10/eng%402017-11-20
11. Republic of Zambia. (2025). Companies (Amendment) Act, 2025 (Act No. 23 of 2025), section 18. https://www.parliament.gov.zm/node/12826
12. United States Government Accountability Office (GAO). (2002). Protecting the public interest: Selected governance, regulatory oversight, auditing, accounting, and financial reporting issues (GAO-02-483T). https://www.gao.gov/products/gao-02-483t
13. United States Government Accountability Office (GAO). (2003). Public accounting firms: Mandated study on consolidation and competition (GAO-03-864). https://www.gao.gov/products/gao-03-864
14. Zambia Institute of Chartered Accountants (ZICA). (n.d.). Ethics. https://www.zica.co.zm/ethics/
15. Zambia Institute of Chartered Accountants (ZICA). (n.d.). Practitioners. https://www.zica.co.zm/practitioners/