



The Institute of  
Chartered Accountants  
of Pakistan

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PAKISTAN

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Issue 14 | January - March 2018

# Audit Bulletin



**The Institute of Chartered Accountants of Pakistan**

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## International Developments

### 1. Restructured Code of Ethics for Professional Accountant

The International Ethics Standards Board for Accountants (IESBA) has issued a restructured Code of Ethics for Professional Accountants on April 09, 2018.

The Code is easier to navigate, use and enforce and it brings together key ethics advances over the past four years including the NOCLAR and Long Association provisions and includes an enhanced conceptual framework. It is completely rewritten under a new structure and drafting convention.

The Code has been renamed as the International Code of Ethics for Professional Accountants (including International Independence Standards). The Code will become effective in June 2019.

While the fundamental principles of ethics have not changed, major revisions have been made to the unifying conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles and where applicable, independence. New Code highlights include:

- Revised “safeguards” provisions better aligned to threats to compliance with the fundamental principles;
- Stronger independence provisions regarding long association of personnel with audit clients;
- New and revised sections dedicated to professional accountants in business (PAIBs) relating to:
  - preparing and presenting information; and
  - pressure to breach the fundamental principles.
- Clear guidance for accountants in public practice that relevant PAIB provisions are applicable to them;

- New guidance to emphasize the importance of understanding facts and circumstances when exercising professional judgment; and
- New guidance to explain how compliance with the fundamental principles supports the exercise of professional skepticism in an audit or other assurance engagements.

The Restructured Code of Ethics can be accessed at:

<http://www.ifac.org/publications-resources/final-pronouncement-restructured-code>

This is a significant change in the Code of Ethics and therefore the Restructured Code would be discussed in the Auditing Standards & Ethics Committee of ICAP for the purpose of revision of ICAP Code of Ethics for Chartered Accountants, last issued in April 2015.

### 2. Guidance on Key Challenges in Assurance Engagements over emerging forms of External Reporting

The IAASB's Emerging forms of External Reporting (EER) Task Force developed a Feedback Statement to highlight the responses received on August 2016 Discussion Paper, 'Supporting Credibility and Trust in Emerging Forms of External Reporting; Ten Key Challenges for Assurance Engagements'. This Feedback Statement provides an overview of the key messages from the responses to the questions in the Discussion Paper.

The IAASB approved a project proposal in October 2017. The project is intended to develop new non-authoritative guidance to address key challenges, identified by the IAASB, which arise in the performance of assurance engagements over EER in applying ISAE 3000 (Revised).

The detail of the project can be accessed at:

<http://www.ifac.org/publications-resources/iaasb-project-proposal-emerging-forms-external-reporting>

### 3. Strengthening the International Standard Setting Boards

IAASB and IESBA Chairmen had requested their stakeholders to comment on the proposed new

arrangement through the Consultation paper 'Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest'.

In the Consultation paper, Monitoring Group (MG) had suggested reforms in the standard setting and structural organization of IAASB and IESBA. Comment deadline on the Consultation paper was February 09, 2018.

ICAP also submitted its comments on the Consultation Paper and can be accessed at:

[https://www.iosco.org/publications/?subsection=public\\_comment\\_letters](https://www.iosco.org/publications/?subsection=public_comment_letters)

## Local Developments

### 1. Auditors (Reporting Obligations) Regulations, 2018

The Securities and Exchange Commission of Pakistan (SECP) through S.R.O 558 (I)/2018 (dated April 26, 2018) has issued Auditors (Reporting Obligations) Regulations, 2018 (the Regulations).

The Regulations include the formats of the auditor's report that repeals the format prescribed in Form 35A, 35B, 35C and 35D under the Companies (General Provisions and Forms) Rules 1985, issued under the repealed Companies Ordinance, 1984. The Regulations are applicable for reporting periods ending on or after June 30, 2018.

The Regulations can be viewed at:

<https://www.secp.gov.pk/laws/notifications/>

### 2. Clarification on Related Party Disclosure requirements

The Companies Act, 2017 (the Act) contains section 208 'Related party transactions', under which the expression 'related party' has been defined and framework for the related party transactions has also been explained.

ICAP through its Circular No. 1 of 2018 advised its members, based on SECP' clarification through FAQs on Code of Corporate Governance Regulations, that till issuance of specific related party regulations (under section 208 of the Act), the companies may consider and apply the related party requirements in line with the earlier practice. The circular can be accessed at:

<http://www.icap.net.pk/archives/4419>

### 3. Statement of Compliance for the Financial Statements prepared under the Companies Act, 2017

The Accounting Standards Board of ICAP through Circular No. 4 of 2018 has issued the revised Statement of Compliance for the statutory financial statements (related to different financial reporting frameworks/ class/ nature of companies) prepared under the Companies Act, 2017. The Statement of Compliance is advised to be used in preparation of Financial Statements for the period ending after December 31, 2017. The circular can be viewed at:

<http://www.icap.net.pk/archives/4806>

### 4. Professional Accountants' Obligations in combating Money Laundering and Terrorist Financing

ICAP being the leading statutory body of professional accountants has been requested by Financial Monitoring Unit to create awareness and understanding of the obligations upon its members under the Anti-Money Laundering (AML) Act 2010 and Financial Action Task Force (FATF) recommendations relating to the accountancy profession.

ICAP through its Circular No. 3 of 2018 inform its members that ICAP will develop and issue guidelines to members on Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) and will hold awareness seminars on AML/CFT and FATF recommendations through the regional committees, in due course. The circular can be viewed at:

<http://www.icap.net.pk/archives/4570>

## Corporate & Regulatory Developments

### 1. Audit Oversight Board (Operations) Regulations, 2018

SECP via SRO 62(l) 2018 dated January 18, 2018 has issued 'Audit Oversight Board (Operations) Regulations, 2018'. An audit firm, which carries out, or willing to carry out the audit of Public Interest Company (PIC) is required to register itself with Audit Oversight Board (AOB).

AOB is authorized to issue, approve or require alteration or modification in existing auditing standards or Quality Control Review Framework (QCRF). At any time and at least once in two years, AOB shall carry out the inspection of the work of Quality Assurance Board (QAB) of ICAP, auditing standards and QCRF adopted by ICAP. AOB may conduct inspection of records of QAB in respect of audit firms registered with AOB. If AOB is not satisfied with the work of QAB, it may directly inspect the record of audit firm and PIC.

The regulations can be accessed at:

<https://www.psx.com.pk/newsimage/109680-1.pdf>

### 2. Amendment in Securities Brokers (Licensing and Operations) Regulations, 2016

SECP via SRO 77(l) 2018 dated January 29, 2018 has amended the "Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) in which requirement of different categories of License has been removed along with minimum capital and net worth requirement of those separate categories. As per the revised regulations, Securities Broker are now required to comply with minimum paid up capital and net worth requirement of Rs. 35 million and net capital requirement of Rs. 5 million.

Further, under Regulation No. 35 (5) and (6), auditor's report of Securities Brokers must state additionally an opinion as to whether the securities broker complied with the requirements of section 78 of the Act and/or section 62 of the Futures Act.

Moreover, auditors are now required to provide Limited Assurance on internal controls systems of Securities Brokers. The amendments can be accessed at:

<https://www.secp.gov.pk/document/s-r-o-77-i-2-018-amendments-to-the-securities-brokers-licensing-and-operations-regulations-2016/?wpdmdl=30500>

### 3. Notification for Companies Undertaking Leasing Contracts

SECP via SRO 75(l) 2018 dated January 25, 2018 has notified that the companies who are willing to undertake a leasing contract of amount exceeding one million are required to take the approval of Board of Directors as per Section 183 (2)(j) of the Companies Act, 2017. The notification can be accessed at:

<https://www.secp.gov.pk/document/sro-75i-2018-notification-under-section183-notifying-lease-limits/?wpdmdl=30453>

### 4. Public Sector Companies (Corporate Governance Compliance) Guidelines, 2018

With the promulgation of Companies Act, 2017 and the revision of the Public Sector Companies (Corporate Governance) Rules, 2013 (the revised Rules) by SECP through SRO 275(1)/2017 dated April 21, 2017 (revised Rules), it was necessary to update the Statement of Compliance. Accordingly, Public Sector Companies (Corporate Governance Compliance) Guidelines, 2018 (the revised Guidelines) were issued by SECP on January 29, 2018 which are aligned with the revised Rules and the requirements of the Companies Act, 2017.

In the revised Guidelines, some changes have been made in the Statement of Compliance of Public Sector Companies as compared to the previous Guidelines issued in 2013.

The revised Guidelines can be accessed at:

<https://www.secp.gov.pk/document/public-sector-companies-corporate-governance-compliance-guidelines-2018/?wpdmdl=30481>

### 5. Issuance of additional FAQs for CCG Regulations, 2017

SECP has issued additional FAQs on Listed Companies (Code of Corporate Governance) 2017 (the Regulations) covering the questions

pertaining to mode of participation of directors in general meeting, matters effecting disclosures in statement of compliance with the Regulations and election of independent directors.

It clarifies that for the companies whose financial year-ends other than December will be at liberty to select either previous code or revised code of corporate governance for issuing its statement of compliance under code of corporate governance. However, an additional disclosure is required for clarity.

FAQs can be accessed at:

<https://www.secp.gov.pk/document/additional-faqs-for-ccg-regulations-2017-1-2-18/?wpdmdl=30514>

## 6. Draft Sharia Governance Regulations, 2018

SECP via SRO 273 (I) 2018 dated March 01, 2017 has issued a draft 'Sharia Governance Regulations, 2018' (the Regulations) for public comments. This is a comprehensive set of regulations for governance of Sharia-compliant companies and entities, Shariah-compliant securities and Islamic financial institutions under its jurisdiction.

Every Sharia complaint company is subject to an independent external sharia audit, who will report to the Board of Directors about status of Sharia compliance and risk associated with sharia non-compliance and other matters provided in the draft regulations. Further, these companies will strengthen their internal audit department by appointing an internal sharia audit resource.

The Regulations can be accessed at:

<https://www.secp.gov.pk/document/draft-shariah-governance-regulations-2018/?wpdmdl=30823>

## Events

### 1. Seminar on Revised Code of Corporate Governance Regulations 2017

#### Karachi:

The Southern Regional Committee (SRC) of ICAP has organized a seminar on Listed Companies

(Code of Corporate Governance) 2017 (the Regulations) on January 30, 2018 at Karachi. Good number of participants, including members and non-members, attended the seminar.

Mr. Abid Hussain, Executive Director, SECP was the keynote speaker who delivered an effective presentation on changes in the Regulations, which was well received by the members. The keynote presentation was followed by a panel discussion in which Mr. Moin Fudda, Chairman Central Depository Company of Pakistan (CDC) was the moderator. The panelists were Mr. Kamran Y. Mirza, Chairman Phillip Morris (Pakistan) Limited, Mr. Jahanzeb Awan, Partner, Khalid Anwer & Co., Mr. Amar Naseer, Managing Partner, Amar Naseer Law Associates, Mr. Ebrahim Sidat, Past President ICAP and Mr. Abid Hussain.

After the panel discussion, Mr. Ebrahim Sidat concluded the session.

#### Multan:

ICAP CPD Committee of Multan organised a session on February 10, 2018 at ICAP Multan Centre to understand the Code of Corporate Governance Regulations, 2017 (The Regulations). The speaker was Mr. Javed Anjum, Chairman CPD Committee Multan. He discussed that the Regulations aimed at strengthening governance structures, bringing consistency in the corporate practices and promoting transparency through enhanced disclosure requirements. The seminar was well attended by ICAP practicing, non-practicing members and students.

### 2. Seminar on Code of Corporate Governance for Listed & Public Sector Companies

ICAP's CPD Committee for Islamabad/Rawalpindi organized a seminar on Listed Companies (Code of Corporate Governance) Regulations 2017 and Public Sector Companies (Corporate Governance Compliance) Guidelines 2013 on January 16, 2018 at ICAP House Islamabad.

Ms. Amina Aziz, Director Corporate Supervision, SECP and Mr. Waseem Ahmed Khan, additional registrar of Company Law Division/Corporatisation and Compliance department, SECP were the speakers.

Ms. Amina Aziz, explained the concept of Corporate Governance (CG), CG framework, CG rules for public sector companies, principle for CG for non-listed companies and features of revised Code of Corporate Governance 2017. Mr. Waseem Ahmed Khan elaborated Public Sector Companies (PSCs) (Corporate Governance) Rules 2013 and also outlined certain governance challenges faced by PSCs. Mr. Abdullah Yousuf, ICAP Council member and Chairman Public Sector Committee of ICAP also shared his views and concepts on corporate governance and PSCs.

### 3. Seminar on NOCLAR in Islamabad & Karachi

Awareness seminars on the International Ethics Standards Board (IESBA) new ethics requirement on 'Responding to Non-Compliance with Laws and Regulations' (NOCLAR pronouncement) were organized by the Auditing Standards and Ethics Committee (ASEC) of ICAP in coordination with Regional Committees of ICAP in Islamabad and Karachi on March 19, 2018 and April 3, 2018 respectively.

Mr. Sohail Akram, Director Technical Services, ICAP, and Mr. Haroon Tabraze, Member Auditing Standards & Ethics Committee of ICAP were the Keynote speakers in Islamabad and Karachi respectively.

The presenters gave comprehensive presentation on NOCLAR pronouncements introduced in the revised Code of Ethics for Professional Accountants issued by the International Ethics Standards Board (IESBA) of IFAC. They explained the role and responsibilities of Professional Accountants (practicing members and members in business) what actions to take in the public interest when they become aware of a potential illegal act committed by a client or employer.

The presentations were followed by a panel discussion titled 'NOCLAR - The Changing Landscape'.

In Islamabad, the panelists were Mr. Ashraf Tiwana, Mr. Bilal Khan, Mr. Farooq Hameed and Mr. Raheel Arshad, moderated by Mr. Sohail Akram. The panelists discussed how NOCLAR would affect auditors, tax advisors, PAIBs and Small and Medium Practices.

In Karachi, Mr. Shariq Ali Zaidi, member of the Auditing Standards & Ethics Committee, ICAP was the moderator of the panel discussion. Other panelists were Mr. Syed M. Shabbar Zaidi, Mr. Amar Naseer and Council Members Mr. Khalil Ullah Shaikh, and Ms. Hina Usmani.

The learned panelists covered detailed analysis of the new requirements from different aspects, its interrelation with our laws and the challenges to be encountered by the professional accountants in practical implementation of NOCLAR pronouncement in Pakistan.

Mr. Rana Usman Khan, Council Member & Chairman ASEC of ICAP and Mr. Farrukh Rehman, Vice President ICAP (South) concluded the session on NOCLAR in Islamabad and Karachi respectively.

#### Lahore:

The seminar on NOCLAR in Lahore will be held on April 26, 2018.

### Updates from the Auditing Standards & Ethics Committee (ASEC)

#### 1. Seminars on NOCLAR

The ASEC in coordination with Regional Committee of ICAP is actively engaged in organising awareness seminars on new ethics requirement of responding to 'Non-Compliance with Laws and Regulations' (NOCLAR pronouncements).

Seminars on NOCLAR have been organized in Islamabad and Karachi on March 19, 2018 and April 03, 2018 respectively. In Lahore the seminar is being planned on April 26, 2018. The consolidated member's comments/feedback on NOCLAR will be discussed by the ASEC for further course of action. (For seminar details, refer Events page 4)

#### 2. NOCLAR Webpage

As part of member's education and guidance, the NOCLAR webpage has been developed. It contains the brief on NOCLAR pronouncements, presentations of speakers held in Islamabad and Karachi and IESBA pronouncements on NOCLAR. The webpage can be accessed at:

<http://www.icap.net.pk/noclar-non-compliance-with-laws-and-regulations>

### 3. Response on Monitoring Group's Consultation Paper

The Monitoring Group (MG) consisting of public authorities issued a Consultation Paper in November 2017 on strengthening the governance and oversight of the international audit related standard setting boards in the public interest.

The Consultation Paper outlined the options for reforms, which include proposals for a wholesale restructuring, including a merger of the International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA). The Consultation paper elicited views from a broad range of stakeholders by February 09, 2018.

The ASEC after Council's approval has sent its comments on February 09, 2018, which can be accessed at:

<https://www.iosco.org/library/pubdocs/586/pdf/institute%20of%20Chartered%20Accountants%20of%20Pakistan%20-%20ICAP.pdf>

### 4. Review of IESBA' Restructured Code of Ethics for Professional Accountants

The Technical Services Department of ICAP has commenced its work on comparing IESBA's restructured Code of Ethics for Professional Accountants with the existing ICAP Code of Ethics for Chartered Accountants (revised 2015) for the purpose of revision of ICAP Code of Ethics.



**Send your valuable feedback/ comments to:**

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