The Institute of Chartered Accountants of Pakistan

CA PAKISTAN

Audit Bulletin

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UPDATES FROM THE AUDITING STANDARDS & ETHICS COMMITTEE

1. Webinar Series on ICAP Code of Ethics 2019

The Auditing Standards and Ethics Committee (the Committee) of the Institute as part of the webinar series on ICAP Code of Ethics for Chartered Accountants organized webinars on key areas of auditor's appointment and NOCLAR.

Webinar on Auditor's Appointment

In May 2021, webinar on the topic of 'Auditor's Appointment' was organized.

Mr Shabbir Yunus an experienced practicing member made a presentation on the requirements of ICAP Code 2019 and local laws related to auditor's appointment.

The presentation was followed by a panel discussion involving, Mr. Rashid Rahman Mir, Mr. Waqas Aftab Sheikh and Ms. Tasneem Yusuf. The panelists discussed ethical and statutory requirements as well as practical issues and challenges related to the auditor's appointment.

Participants benefited from the in-depth and interactive discussion on the practical or challenging scenarios and application of ethical requirements.

Webinar on NOCLAR (Non-Compliance with Laws and Regulations)

As part of the series, webinar on the topic 'Non-Compliance with Laws and Regulations (NOCLAR)' was organized in June 2021.

Mr. Khurram Jameel made presentation on NOCLAR requirements contained in the ICAP Code 2019 for practicing members. The presentation on 'Challenges in implementation of NOCLAR in Industry' was made by Mr. Khawaja Safwan, an experienced professional from industry.

Following this a panel discussion involving members from industry, profession and legal (Mr. Sohail Ahmad Nisar, Mr. Khurram Jameel, Mr. Khawaja Safwan, Mr. Amin Ali, and Mr. Amar Naseer) examined various statutory and legal aspects of responding to NOCLAR. Panelists also deliberated on the legal aspects and challenges related to the implementation of NOCLAR provisions.

The webinar provided an exclusive opportunity to members, students and other participants to interact with the panelists during the Q&A session.

The presentations and video recordings of above webinars are available at the following link:

http://www.icap.net.pk/webinar-series-on-code

2. Format of Shariah Audit Report

The Shariah Governance Regulations, 2018 (the Shariah Governance Regulations) issued by SECP require an external Shariah auditor to audit and report on different aspects of a Shariah compliant company and company issuing Shariah compliant security.

The Committee, in consideration of the requirements pertaining to the audit of Shariah compliant company and company issuing Shariah compliant security initiated the project of development of a format of the Shariah Audit Report. The Committee, based on the ISAE 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information* developed a format of the report and it has been shared with SECP for notification.

3. IAASB's Quality Management Standards

The Committee is considering and deliberating the changes made in the International Standards on Quality Management (ISQMs) issued by International Auditing and Assurance Standards Board (IAASB), ISQM 1, ISQM 2 and ISA 220 (Revised) and will develop a roll out plan for their effective implementation in Pakistan.

ICAP Resource material on Quality Management Standards

With the objective to facilitate and for knowledge sharing of ICAP members, the Institute's Technical Services department has developed following publications on Quality Management Standards:

1. Paper on Overview of Quality Management Standards

2. Paper on ISQM 1 '*Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagement*'

3. Paper on ISQM 2, *Engagement Quality Reviews;*

4. Paper on ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.

5. Presentations on ISQM 1, ISQM 2 and ISA 220 (Revised)

ICAP resource material can be downloaded using link: http://www.icap.net.pk/quality-management-standards

4. Publications

Publication on 'Guidance for Auditors - Disclosure Requirements for Shariah Compliant Companies and Companies Listed on Islamic Indices'

A brief publication '*Guidance for auditors - Disclosure requirements for Shariah compliant companies and companies listed on Islamic Indices*' has been issued with the objective to draw attention of auditors towards financial statements specific disclosures requirements under clause 10 of the fourth schedule to the Companies Act, 2017. The auditors of Shariah compliant companies and companies listed on Islamic Indices are required to evaluate completeness and reasonableness of these specific disclosures while conducting the statutory audit of such companies.

The publication can be accessed at:

http://www.icap.net.pk/guidance

Publication on 'Exploring the IESBA Code' series

The Institute disseminated the IESBA publication 'Exploring the IESBA Code'. This publication is based on topic-wise series, each instalment focuses on specific aspects of the ethical code using real-world situations. The IESBA publication is expected to promote awareness and implementation of the ethical requirements related to professional accountants.

The publication and installments can be downloaded from the ICAP website:

http://www.icap.net.pk/exploring-the-iesba-code-installment-series

5. Technical Opinion

The Committee issued a technical opinion on auditing matter pertaining to the signing of audit report(s) after the expiry of tenure of the auditor's appointment.

The technical opinion can be downloaded at the link:

www.icap.net.pk

INTERNATIONAL DEVELOPMENTS

1. IAASB's Quality Management Standards

Quality Management Implementation Guides

The IAASB has recently issued implementation guides for ISQM 1 and ISQM 2. The guides aim to help stakeholders understand and properly implement the requirements of quality management standards.

These guides can be downloaded using the link:

https://www.iaasb.org/news-events/

IAASB Webinar Series on Quality Management Standards

The IAASB is also organizing a series of webinars on new Quality Management standards. The details of these seminars is as under:

Webinar One: All You Need to Know about the Firm's Risk Assessment Process (**June 24, 2021)**

Webinar Two: Resources: Expectations for Firms and Engagement Partners **(July 29, 2021)**

Webinar Three: What's New for Firms' Monitoring and Remediation Processes **(August 5, 2021)**

Webinar Four: Bringing it All Together: Exploring all the Components of a Quality Management System **(August 18, 2021)**

The details of IAASB seminars have been already shared with members, and members are encouraged to participate in the webinar series for understanding of key changes and requirements of revised quality management standards.

For details and registration, please use the link:

https://www.iaasb.org/news-events/

IAASB Videos on Quality Management considerations for firms

The IAASB has also developed videos to explain key features of the Quality Management standards with the objective to help stakeholders understand and begin their implementation efforts.

IAASB developed videos can be accessed at the given links:

https://www.iaasb.org/publications/

https://www.youtube.com/watch?v=WXZSc3sLQEU

2. IAASB's Stakeholder Feedback Statement: Auditor Reporting Post-Implementation Review

The IAASB has published the '*Feedback Statement: Auditor Reporting Post-Implementation Review*'. The statement summarizes key themes and varied stakeholder's views raised in response to the IAASB's Auditor Reporting Post-Implementation Review survey closed in Nov 2020 as well as a roundtable discussion held in September 2020. ICAP also submitted its comments on the IAASB's survey which was based on feedback received from general membership.

Stakeholders across the world voiced their support for the enhancements made to the auditor's report. Three of the key areas of focus for stakeholders were key audit matters, going concern and other information in the auditor's report.

The feedback statement can be downloaded using the link: https://www.ifac.org

3. IAASB Survey Consultation on its Work Plan, 2022-2023

The IAASB is consulting on its Work Plan for 2022–2023 through an online survey. The survey is designed to help the IAASB develop its Work Plan for 2022–2023 through understanding what is important to its stakeholders.

The survey will remain open until **August 5, 2021** and can be accessed at:

https://www.iaasb.org

4. IFAC continues drive against Financial Crime

IFAC welcomed and endorsed the publication of World Economic Forum, tiled '*The Role and Responsibilities of Gatekeepers in the Fight against Illicit Financial Flows: A Unifying Framework*'.

This Unifying Framework is a value-based self-regulatory framework for private sector intermediaries (including accountants and corporate service providers) who are strategically positioned to prevent or interrupt illicit financial flows.

By endorsing this work of World Economic Forum, IFAC hopes to inspire other gatekeeper professions to adopt ethical frameworks on par with the IESBA Code of Ethics for ethical behavior.

In this context, Kevin Dancey, CEO of IFAC, noted that *"This new report by the Forum is broadly aligned with the long-standing principles of the Code, which governs the conduct of approximately 3 million professional accountants, defined as those who are members of one of the 180 professional accountancy organizations (PAOs) around the world recognized by IFAC. We encourage other gatekeeper professions across all sectors to look to the Code as a model."*

Further details about the publication can be accessed from:

https://www.ifac.org/news-events/2021-06/

5. Revisions to the Non-Assurance Services and fee-related provisions of the IESBA Code

The International Ethics Standards Board for Accountants (IESBA) has revised the provisions of the IESBA Code of Ethics on the Non-Assurance Services (NAS) and fees.

The revised NAS and fee-related provisions have significantly strengthened the standards of auditor independence.

The key revisions include:

- Prohibition on audit firms /network firms from providing a NAS that might create a self-review threat to an audit client that is a public interest entity.

- Promote more robust engagement between auditors and those charged with governance of public interest entities about independence on NAS and fees related matters.

- Strengthened provisions to address undue fee dependency on audit clients.

- Provisions to stimulate greater public transparency about fees paid by audit clients that are public interest entities to assist stakeholder judgments about auditor independence.

- Comprehensive guidance to steer auditors' threat assessments and actions in relation to NAS and fees.

The revised NAS and fee-related provisions become effective for audits of financial statements for periods beginning on or after December 15, 2022.

The revisions can be read using link:

https://www.ethicsboard.org/

Webinars on Non-Assurance Services and Fees

In June 2021, the IAASB organized webinars on the revised NAS and fee-related provisions.

The recording of webinars can be accessed at the link:

https://www.ethicsboard.org

6. IESBA e-Newsletter June 2021 Edition

The IESBA has issued June edition of the IESBA e-newsletter which includes highlights of the various activities of the IESBA, IESBA's technology initiative, the upcoming virtual Board Meetings.

The IESBA eNews can be downloaded using link:

https://www.ifac.org

7. Updated Pathway for the IESBA's technology initiatives

An update on IESBA's technology initiatives was released in April 2021. The document noted an updated timeline for the IESBA's Technology Project and establishment of a new Working Group to develop technology-related non-authoritative guidance to help in applying the Code's ethics and independence provisions.

Details can be accessed at the link:

https://www.ethicsboard.org

Feedback

For comments and feedback please contact:

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