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INTERNATIONAL DEVELOPMENTS

1. 2020 IAASB Handbook

The International Auditing and Assurance Standards Board (IAASB) has published the 2020 Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements. The latest edition of the Handbook includes:

1. ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* is replacing ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* including its conforming and consequential amendments. *ISA 540 (Revised)* is effective for audits of financial statements for periods beginning on or after December 15, 2019.
2. Changes for the conforming amendments arising from the restructured *International Code of Ethics for Professional Accountants, (IESBA Code)* issued by the International Ethics Standards Board for Accountants (IESBA).
3. The following standards, which are not yet effective, have also been included in the Handbook:
 - a. ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*
 - b. *Conforming and Consequential Amendments to Other ISAs arising from ISA 315 (Revised 2019)*
 - c. ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
 - d. ISQM 2, *Engagement Quality Reviews*
 - e. ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*
 - f. *Conforming and Consequential Amendments to Other ISAs arising from the Quality Management Projects*
 - g. ISRS 4400 (Revised), *Agreed-Upon Procedures Engagements*

The Handbook can be downloaded from the IAASB website: www.iaasb.org.

New Online Platform for Digital Access of IAASB Handbook

The first fully digital IAASB Handbook will be available soon on a new web application, e-International Standards (eIS). The platform is optimized for users through search functions, resources, references and easy navigation.

The launch details and announcements will be updated on the IAASB website.

2. IAASB public consultation on proposed new ISA for Audits of Less Complex Entities

The IAASB has issued an Exposure Draft of proposed new International Standard on Auditing (ISA) for Audits of Less Complex Entities (ISA for LCE).

The new stand-alone ISA for LCE:

- is designed specifically for audits of less complex entities;
- is based on the underlying concepts from ISAs;
- was developed to be understandable, clear and concise;
- reduces the risk of jurisdictional divergence by driving consistency and comparability globally;
- will achieve a quality audit engagement.

The proposed standard is expected to reduce complexity, improve understandability and make international auditing standard more proportionate to audit of LCEs.

Comments on the Exposure Draft are requested by January 31, 2022.

The Exposure Draft can be downloaded from the Institute's website: www.icap.net.pk and IAASB website: www.iaasb.org.

Other IAASB Resources on ISA for LCE

The IAASB has also issued following guidance material to facilitate users in understanding the requirements of proposed ISA for LCEs:

- Proposed supplemental guidance material on ISA for LCEs provide further guidance on modifications and other changes to the auditor's report when using the proposed standard, and can be viewed at: www.iaasb.org.
- “Mapping” documents help users navigate between existing ISAs and the requirements in the proposed ISA for LCE and how the requirements of ISAs have/ have not been incorporated in the proposed standard, and can be accessed at: www.iaasb.org.

Discussion Series on LinkedIn

The IAASB has also planned a three-part discussion series on the proposed ISA for LCE on LinkedIn on the following dates:

First livestream discussion was organized on **September 28, 2021** with IAASB Chair and IAASB LCE Task Force Chair who discussed the overview of the proposed new standard, its key principles, how it compares to the existing suite of ISAs and why it is important for stakeholders.

Second livestream discussion will be held on **October 20, 2021** with IAASB Technical Director and other IAASB Members addressing on which entities the proposed standard can be used, who makes decisions regarding use of the standard and how those decisions are made.

The third and final livestream will be held on **November 17, 2021** with IAASB Member and LCE Task Force Members discussing what the proposed new standard means for audit firms and practitioners, what firms and engagement teams need to consider in decision making, and the potential impact on small and medium-sized practices.

Further details of other virtual outreach plan and in-person events on ISA for LCEs can be viewed at: www.iaasb.org.

3. IAASB Webinar Series on Quality Management Standards

The IAASB issued a suite of quality management standards (ISQM 1, ISQM 2 and ISA 220 (Revised)) which are effective from December 15, 2022 and will replace the IAASB's extant ISQC 1 and ISA 220.

The quality management standards aim to support a more robust system of quality management for firms using the IAASB's standards, and marks an evolution from a traditional approach to an integrated, proactive and risk-based approach for effective quality management systems. The suit of standards can be downloaded using the link: www.iaasb.org.

The IAASB, with the objective to enhance knowledge of all stakeholders in implementation of quality management standards, has organized webinar series on the following topics in collaboration with IFAC on Zoom:

- Webinar One: All You Need to Know about the Firm's Risk Assessment Process (June 24, 2021)
- Webinar Two: Resources: Expectations for Firm and Engagement Partner (July 29, 2021)
- Webinar Three: What's New in Firm's Monitoring and Remediation Process (August 5, 2021)
- Webinar Four: Bringing it all Together: Exploring the Components of the Quality Management System (August 18, 2021)

The webinar details and recordings are available and can be accessed at: www.iaasb.org.

4. First-Time Implementation Guide for ISQM 1 Updated and Reissued

The IAASB has issued the updated version of 'First-Time Implementation Guide of the ISQM 1'.

The revisions have been made on the evaluation of the firm's system of quality management and related possible conclusions in accordance with paragraph 54 of ISQM 1. The revised guide can be downloaded from the IAASB website at: www.iaasb.org.

5. IAASB's project update on ISA 600 (Revised)

The IAASB is currently working on a project to revise ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*. The project aims to clarify the scope of the standard, improve interaction of ISA 600 (Revised) with other ISAs, and to strengthen the auditor's approach to plan and perform a group audit etc.

The IAASB is expected to approve ISA 600 (Revised) at its December 2021 meeting. Current status of the project can be read at: www.iaasb.org.

6. IESBA proposes conforming amendments to the Code following issuance of IAASB's suite of quality management standards

The IESBA is in the process of making conforming amendments in the Code of Ethics to align with the IAASB's suite of quality management standards. In this regard, the IESBA has issued the Exposure Draft, *Proposed Quality Management-related Conforming Amendments to the Code* for public comments. The Exposure Draft can be viewed at: www.ethicsboard.org.

7. IESBA eNews - Third Edition

The third edition of the quarterly IESBA eNews is available and includes highlights of the various activities going on in and around the IESBA. The IESBA eNews can be downloaded at: www.ethicsboard.org.

8. IESBA Non-Assurance Services and Fees Webinars are available online

The IESBA has made key changes in the requirements related to the Non-Assurance Services (NAS) and Fees, especially for PIE audit clients. The revised NAS and fee-related provisions will become effective in December 2022. Details about the revisions can be read at: www.ethicsboard.org.

For these new and revised requirements, IESBA has organised webinars in June 2021, the presentations of which are now available and can be accessed at: www.ethicsboard.org.

9. Ethical Leadership in an Era of Complexity and Digital Change: Paper 1

As the world becomes more complex, maintaining ethical standards come to be both more challenging and increasingly important.

The International Federation of Accountants (IFAC), the Chartered Professional Accountants of Canada (CPA Canada) and the Institute of Chartered Accountants of Scotland (ICAS) have developed a publication '*Complexity and the professional accountant: Practical guidance for ethical decision-making*'.

The publication is first of the series which addresses key themes presented in the exploratory work, leveraging the event discussions and recommendations, to offer practical guidance to finance professionals and other varied stakeholders.

The upcoming papers in the series will cover the following interconnected but distinct topics:

- Technology is a double-edged sword
- Identifying and mitigating bias and mis/dis-information
- Mindset and enabling skills

The exploratory paper, a summary of the event, and an on-demand recording are available on the [IFAC Knowledge Gateway](#).

DISCLAIMER

This publication is intended to provide a summary of developments relating to audit during the quarter, legal and regulatory matters and matters under consideration of ASEC.

This information should not form the basis of any decision; nor it should be relied upon as a legal and professional guidance regarded as a substitute for specific advice.

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