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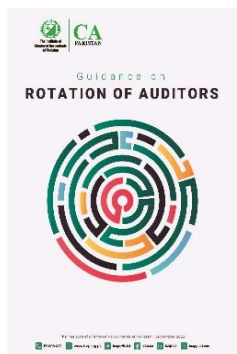
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UPDATES FROM THE AUDITING STANDARDS & ETHICS COMMITTEE

1. ICAP issues Guidance on Rotation of Auditors

The ICAP Code of Ethics for Chartered Accountants (Revised 2019) requires chartered accountants to apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles. To address the threats to independence, safeguards have also been given in the ICAP Code of Ethics which include mandatory rotation and cooling-off by the key audit partners of public interest entities.

In addition to ICAP Code of Ethics, various laws and regulations also require mandatory rotation of the audit partner and change of the audit firm. In certain cases, the requirements of the Code of Ethics and legal/regulatory provisions could be inter-linked.



The Auditing Standards & Ethics Committee of the Institute, with the objective to facilitate auditors in understanding the requirements for the change of audit partner and cooling-off, provided in the ICAP Code of Ethics and various statutory laws, has developed the publication of ‘Guidance on

Rotation of Auditors’. The publication was issued to members through ICAP Circular No. 4 (dated September 09, 2022).

The circular and publication can be accessed on the following link: www.icap.net.pk

2. Webinar on Quality Management Standards - for SAFA member countries

The SAFA ‘Committee on Auditing Standards and Quality Control’ has organized a Webinar on Quality Management Standards for SAFA member countries on September 15, 2022 virtually through zoom.

The Quality Management Standards (ISQM 1, ISQM 2 and ISA 220 (Revised)) have been issued by the International Auditing and Assurance Standards Board (IAASB) which are effective from December 15, 2022. These new and revised standards contain significant changes and follow proactive, integrated and risk-based approach to design and implement an effective system of quality management systems within the firms. These standards will replace the current ISQC 1.

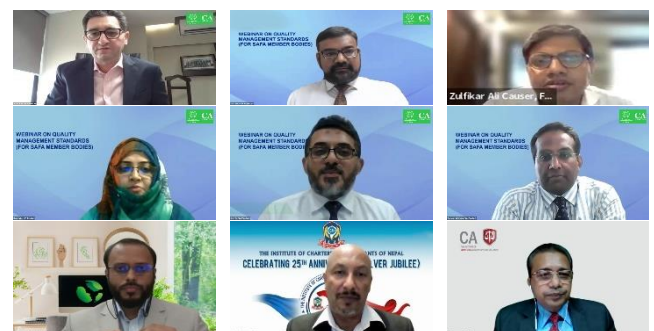
The webinar aimed to facilitate practicing members of SAFA member countries in understanding the significant changes made in the standards.

Mr. Arslan Khalid, ICAP Council Member and Chairman Auditing Standards & Ethics Committee highlighted the importance of the seminar topic in his opening remarks.

The webinar included presentations on the overview of ISQM 1 and ISQM 2 by our keynote speakers Mr. Khattab Baig, Partner, A. F. Ferguson & Co. and Mr. Zulfikar Ali Causer, Partner, BDO Ebrahim & Co. The presentations were followed by an interactive panel discussion.

The panel comprised of seasoned professionals and practicing members from the Institute of Chartered Accountants of Bangladesh (ICAB), Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Institute of Chartered Accountants of Nepal (ICAN) and ICAP.

The panel included Mr. Ashik Iqbal (Partner, Deloitte (Nurul Faruk Hasan & Co. ICAB)), Mr. Nanda Kishor Sharma (Principal, N. K. Sharma & Co., ICAN), Mr. Sanath Fernando (Partner, EY, CA Sri Lanka), Mr. Waqas Aftab Sheikh (Partner, A.F. Ferguson & Co., ICAP) and Mr. Amin Ali (Partner, Crowe Hussain Chaudhury & Co., ICAP). The panel discussion was moderated by Ms. Hena Sadiq (Partner, Yousuf Adil, ICAP).



The panelists shared their experience on the adoption and implementation of Quality Management Standards in their region and the implementation challenges which are being faced or anticipated to be faced in future.

The presentations and video recording of the webinar can be accessed through ICAP website using link: www.icap.net.pk

3. ICAP Seminars on IAASB's Quality Management Standards

The Institute's Auditing Standards & Ethics Committee in collaboration with the Northern Regional Committee (NRC) has organized seminars on the International Quality Management Standards (ISQM 1, ISQM 2 and ISA 220 (Revised)) in Lahore and Islamabad in the month of July 2022.

These consultative sessions and seminars are part of the due process of the Committee for the adoption of Quality Management Standards in Pakistan. Through the seminars the Committee provided a platform to the members to develop an understanding of the requirements of Quality Management Standards and also share their thoughts on new and revised standards. The details of seminar are contained in the ensuing paragraphs:

Lahore, Seminar on Quality Management Standards



The Seminar was held in Lahore on July 07, 2022. The keynote speakers (Mr. Mohammad Maqbool, Council Member ICAP and Mr. Amin Ali, Partner, Crowe Hussain Chaudhury & Co.) presented and explained the significant aspects of ISQM 1 and ISQM 2. The presentations were followed by an interactive panel discussion. The panel included Mr. Rashid Rahman Mir, Mr. Muhammad Maqbool, Mr. Muhammad Almas, Mr. Amin Ali, Mr. Naseem Akbar. Mr. Asad Feroze moderated the discussion. The implementation and practical challenges relating to application of ISQMs were discussed during the panel discussion.

Islamabad, Seminar on Quality Management Standards

In the Seminar held in Islamabad on July 21, 2022, the keynote speakers (Mr. Muhammad Ahsan Shahzad, Partner EY Ford Rhodes and Mr. Mohammad Maqbool, Council Member ICAP) explained the key considerations and the significant features of ISQM 1 and ISQM 2. The panel included Ms. Iffat Hussain and Mr. Ejaz Hussain Rathore, wherein panel discussed the implementation challenges. Mr. Asad Feroze moderated the discussion.



The video recording of the above seminars can be accessed through ICAP website using link: www.icap.net.pk

INTERNATIONAL DEVELOPMENT

1. IAASB proposes narrow scope amendments to ISA 700 (Revised)

The International Auditing and Assurance Standards Board (IAASB) has published an exposure draft 'Proposed narrow scope amendments to International Standard on Auditing 700 (Revised), Forming an opinion and reporting on financial statements, and ISA 260 (Revised), Communication with those charged with governance' for stakeholders' comments by October 04, 2022.

The proposed amendments will help to operationalize recently approved changes to the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* related to listed and public interest entities. The changes to the IESBA Code require firms to publicly disclose when the independence requirements for public interest entities have been applied in an audit of financial statements.

The exposure draft can be accessed using link: www.iaasb.org

2. Implementation Guide for ISA 315 (Revised 2019)

The IAASB published its First-Time Implementation Guide on ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*. The guide focuses on the substantial changes that were made to the revised standard and will help stakeholders in understanding and applying the revised ISA 315.

The guide can be downloaded using link: www.iaasb.org

3. IAASB and IESBA offer support for ISSB proposed Sustainability Reporting Standards

The IAASB and IESBA have submitted their comment letter to the International Sustainability Standards Board (ISSB) on the proposed standards on general sustainability related disclosures and climate-related disclosures.

The IAASB, in its comments letter, has noted the importance of reliable, high-quality, globally consistent sustainability reporting that investors and regulators are able to trust. The IAASB also highlighted the value of long-term cooperation between the IAASB and ISSB, as well as the IESBA to strengthen the connectivity between sustainability reporting external sustainability assurance, and ethical standards, especially as standards become increasingly refined and enhanced.

The IESBA in its comments letter to ISSB highlights that to meet the sustainability information needs of all stakeholders, the infrastructure that supports sustainability reporting and assurance must be underpinned by the highest standards of ethical behavior.

The IAASB and IESBA comment letters can be accessed using links: www.iaasb.org & www.ethicsboard.org

4. IOSCO's support for sustainability assurance standards

The IAASB and IESBA welcome the announcement from the International Organization of Securities Commissions (IOSCO) of its support and encouragement for the IAASB's and IESBA's work on developing standards relating to assurance of sustainability-related information.

The IOSCO recognize that the IAASB and the IESBA work is an important response to the accompanying market demand for robust standards applicable to all providers of sustainability assurance that can be used to foster independent, high-quality engagements and consistent practices. The IOSCO welcomes the IAASB and IESBA plans to work towards high-quality, global assurance and ethics standards that can support limited, and ultimately, reasonable assurance of sustainability-related information.

Details can be accessed on the following link: www.iaasb.org

5. FAQs on reporting going concern matters in the auditor's report

The IAASB has issued a non-authoritative publication to address the common questions related to reporting going concern matters in the auditor's report.

This publication focuses on the use of and interrelationship of the material uncertainty related to going concern and key audit matters sections, and the emphasis of matter paragraphs, in an auditor's report.

Publication can be accessed using link: www.iaasb.org

6. IAASB 2021 Public Report

The IAASB has issued its Public Report for the year ended December 31, 2021. The report explains the IAASB progress to serve the public interest in audit and assurance and how the IAASB has continued its progress against its strategic objectives.

In this one year period, the IAASB approved the final revised standard on group audits, agreed its Work Plan for 2022-2023 and implemented its Framework for Activities, among other actions. The IAASB is now more focused on topics that are of the greatest public interest including fraud, going concern, audit evidence, and assurance on sustainability reporting.

The report can be accessed at the link: www.iaasb.org

7. IAASB publishes the article 'Assurance in Digital Age'

Technology is one of the IAASB's most relevant strategic drivers influencing its standards and future activities. For the audit and broader assurance profession, the emergence of new digital tools represents a real opportunity to attract a new generation of professionals.

In this regard, the IAASB has published an article 'Assurance in Digital Age' which discusses the impacts of digital transformation on audit. The article highlights that the IAASB is determined to ensure that its standard-setting keeps pace and is prepared to adapt to disruptive technologies without losing its focus on setting high quality standards that strengthen public confidence in audits and assurance. The IAASB's technology initiative has three objectives:

- build processes and structures to support the IAASB's disruption initiative;

- maintain and improve the IAASB’s knowledge about disruption trends and their implications for standard-setting and the public interest; and
- share knowledge with stakeholders to improve audit and assurance quality and thereby improve reporting quality.

IAASB is also upskilling its members and staff to obtain a good understanding of the technologies that could disrupt audit and assurance and can consider into current and future work plan activities.

The article can be accessed on following link: www.iaasb.org

8. IESBA Handbook 2022 Edition

The IESBA has published the 2022 edition of the Handbook of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code). This handbook replaces the 2021 edition and incorporates the following revisions that will become effective in December 2022:

- The revisions to the non-assurance services and fee-related provisions of the Code.
- The revisions to address the objectivity of an engagement quality reviewer and other appropriate reviewers.
- The quality management-related conforming amendments to the Code as a result of the IAASB’s suite of quality management standards.

The IESBA Handbook 2022 edition can be downloaded using link: www.ethicsboard.org

The Auditing Standards & Ethics Committee of the Institute has also initiated discussion on the changes made in the IESBA Code to incorporate the changes in the ICAP Code of Ethics 2019 since it was last revised till September 2022.

9. IESBA Q&As publication on the Non-Assurance Services provisions

The IESBA has issued a questions and answers (Q&As) publication to explain key revisions to the non-assurance services (NAS) provisions of the IESBA Code. The NAS revisions, together with the recently issued fee-related revisions to the Code, has significantly strengthen the IESBA International Independence Standards by addressing public

interest concerns about independence when firms provide NAS to their audit clients.

The Q&As will assist national standards setters, professional accountancy organizations, professional accountants in public practice and other stakeholders as they adopt and/or implement the revised NAS provisions. These changes include the new requirements and guidance that:

- prohibit a firm or a network firm from providing a NAS that might create a self-review threat to an audit client that is a public interest entity.
- explain how firms are to determine when a self-review threat to independence might be created, including in relation to providing advice and recommendations to an audit client.
- are relevant in applying the Code’s conceptual framework to identify, evaluate, and address threats to independence that might be created when an audit firm provides a NAS to an audit client.
- enable and promote more robust communication and engagement about independence matters relating to NAS between audit firms and those charged with governance of public interest entities.

The revised NAS provisions are effective for audits of financial statements for periods beginning on or after December 15, 2022.

The Q&As publication can be downloaded using link: www.ifac.org

10. IESBA Sustainability Questionnaire

The stakeholders comments are invited to respond to the IESBA questionnaire to inform the work of the IESBA’s Sustainability Working Group.

The questionnaire can be accessed at: www.ethicsboard.org

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.

No responsibility of any person acting as a result of any material in this publication can be accepted by ICAP and the Department.



You can share your comments and feedback to Technical Services Department at: farheen.mirza@icap.org.pk