



The Institute of
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INTERNATIONAL DEVELOPMENTS

1. ISA 220 First-time Implementation Guide

The International Auditing and Assurance Standards Board (IAASB) has issued the '*First-time Implementation Guide for ISA 220, Quality Management for an Audit of Financial Statements*'.

The Guide will help stakeholders to understand the standard and properly implement its requirements as intended. This Guide along with the previously issued implementation guides for International Standard on Quality Management (ISQM) 1 and 2 will help stakeholders implement the IAASB's suite of quality management standards.

The ISQMs will come into effect on December 15, 2022, and will replace the IAASB's current International Standard on Quality Control 1 (ISQC 1) and ISA 220.

The ISA 220 (Revised) Guide can be downloaded using link: <https://www.iaasb.org/publications/>

2. FAQs on revised fee-related provisions of IESBA Code

The International Ethics Standards Board for Accountants (IESBA) has issued a set of frequently asked questions (FAQs) on the revised fee-related provisions of the *IESBA Code of Ethics for Professional Accountants (including International Independence Standards)* (the *IESBA Code*).

The FAQs are designed to explain and illustrate various aspects of the revised fee-related provisions. The FAQs are expected to assist the reader in the proper application of the requirements of the IESBA Code.

The revised provisions were issued by IESBA in the year 2021 that will become effective for audits of financial statements for periods beginning on or after December 15, 2022.

The FAQs can be downloaded using link: <https://www.ifac.org/>

3. Proposed Technology-Related Revisions to the Code

The IESBA has issued the Exposure Draft '*Proposed Technology-related Revisions to the Code*' for public comments.

The Exposure Draft seeks to enhance the Code's robustness and expand its relevance in an environment that is being reshaped by rapid technological advancements. The proposed amendments will guide the ethical mindset and behavior of professional accountants as they deal with changes brought by technology in their work processes and the services they provide.

Other key changes include the following:

- Draw special attention to the professional competence and confidentiality imperatives of the digital age.
- Address the ethical dimension of professional accountants' reliance on or use of technology in carrying out their work.
- Enhance considerations relating to threats from the use of technology and complex circumstances in applying the Code's conceptual framework.
- Strengthen and clarify the International Independence Standards (IIS) with respect to technology-related non-assurance services that the firm may provide to the audit clients.

Comments on the Exposure Draft are requested by June 20, 2022.

The Exposure Draft can be downloaded using link: <https://www.ethicsboard.org>

Webinar on the proposed Technology-Related Enhancements to the IESBA Code

The IESBA also scheduled a webinar on the proposed Exposure Draft on '*Technology-Related Enhancements*' on April 5, 2022. The webinar was held virtually (through Zoom).

The webinar included a questions and answers session with the IESBA member and Chair of the Technology Task Force and IESBA technical advisor and member of the Technology Task Force.

4. IESBA proposes revisions to the Code relating to the definition of Engagement Team and Group Audits

The IESBA issued the Exposure Draft '*Proposed Revisions to the Code relating to the definition of Engagement Team and Group Audits*'.

The proposed revisions establish provisions that comprehensively address independence considerations for firms and individuals involved in an engagement to perform an audit of group financial statements. The proposals also address the independence implications of the change in the definition of an engagement team in the IAASB's ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*. The proposals were developed in close coordination with the IAASB's group audits and quality management projects.

Among other matters, the proposed revisions include:

- Establish new defined terms and revise a number of existing terms, including for application with respect to independence in a group audit context.
- Clarify and enhance the independence principles that apply to:
 - Individuals involved in a group audit.
 - Firms engaged in the group audit, including firms within and outside the group auditor firm's network.
- More explicitly set out the process to address a breach of an independence provision at a component auditor firm.
- Align a number of provisions in the Code to conform to changes in the IAASB's Quality Management standards.

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

The Exposure Draft can be downloaded using link: <https://www.ethicsboard.org/>

Webinars on the proposed revisions to the IESBA Code relating to the definition of engagement team and Group Audits

The IESBA has planned a series of webinars on the proposed Exposure Draft '*Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits*' on April 11, 2022 and April 19, 2022 through Zoom.

Each webinar will include an opportunity for stakeholders to participate in a questions and answers session and get the insight from the Chair and members of the IESBA's Engagement Team – Group Audits Independence Task Force and IESBA Technical Advisor on the proposed changes.

To register for a webinar, please use the given link: <https://www.ethicsboard.org>

5. IESBA global roundtables on enhancing ethics considerations relating to tax planning and related services

The IESBA plans to hold a series of three global virtual roundtables to obtain stakeholder feedback on matters relating to the development of an ethics standard addressing the provision of tax planning and related services by professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs).

In recent years, the topic of tax planning and related services, notwithstanding the legality of the tax mitigation schemes, structures or transactions to achieve desired tax outcomes has become significant which is in public interest. Questions have been raised regarding the ethical implications for integrity and professional behavior, among other fundamental ethics principles, when PAIBs are involved in developing or implementing tax strategies that are perceived as "aggressive," or when PAPPs provide advice to their clients on such strategies.

The roundtables will be held virtually on April 25, April 26 and April 28. The details about the event registration can be accessed through the link: <https://www.ethicsboard.org/>

6. IAASB published the third Market Scan

The IAASB's Disruptive Technology team on March 23, 2022, published the third Market Scan. Market Scan consists of exciting trends, including new developments, corporate and start-up innovation, noteworthy investments, and what it all might mean for the IAASB.

This Market Scan explores Artificial Intelligence (AI) as one of the most significant and potentially disruptive technologies in audit and assurance. This Market Scan specifically covers:

- What is AI, including related concepts of machine learning and deep learning
- AI use cases in audit and assurance
- AI challenges
- AI developments

Further details can be accessed using link: <https://www.iaasb.org>

UPDATES FROM THE AUDITING STANDARDS & ETHICS COMMITTEE

1. Technical opinions issued

The Auditing Standards and Ethics Committee (the Committee) of the Institute has issued technical opinions on the following auditing enquiries during this quarter:

- a. Rotation of a sole proprietor under the Corporate Governance Regulations; and
- b. Format of accounts and audit report in case of liquidation.

The technical opinions can be downloaded from the ICAP website at: <https://www.icap.net.pk/latest-selected-opinions>



You can share your comments and feedback to:

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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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