



The Institute of
Chartered Accountants
of Pakistan

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PAKISTAN



AUDIT BULLETIN

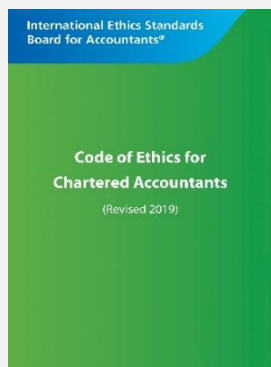
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UPDATES FROM THE AUDITING STANDARDS & ETHICS COMMITTEE

1. Webinar Series on ICAP Code of Ethics 2019

We are required to follow the Code of Ethics. The revised Code of Ethics for Chartered Accountants (ICAP Code 2019) is effective from July 1, 2020 and it contains significant revisions and enhanced independence requirements.

The Auditing Standards and Ethics Committee (the Committee) of the Institute has been proactively arranging awareness seminars and publications on the various aspects of ICAP Code 2019.



To enhance understanding and facilitate knowledge-sharing related to ICAP Code 2019, the Committee has planned to organize a series of webinars on key areas of the Code.

Webinar on Audit Partner Rotation

The first webinar of the series was organized on the topic ‘Audit Partner Rotation’ on March 31, 2021.

Ms. Youssa Zuberi an experienced risk management professional made a presentation on the requirements of ICAP Code 2019 related to audit partner rotation.

Following this a panel discussion involving Mr. Naresh Kumar, Mr. Khurram Jameel and Mr. Asim Nazir examined various statutory aspects and practical issues/ real life situations related to the audit partner rotation. The Chairman Auditing Standards & Ethics Committee, Mr. Rana Muhammad Usman Khan, was the session Chairman.

The webinar also provided an exclusive opportunity to our members, non-members and students to interact with the panelists during the Q&A session, drawing benefit from the in-depth discussion on the practical scenarios and application of ethical requirements.

2. ICAP Survey on Auditor Reporting on Financial Statements

On the advice of the Committee, the Technical Services Department developed an online survey on Auditor Reporting on Financial Statements.

The survey has been developed to seek input of stakeholders (i.e. preparers of financial statements and those charged with governance) on various aspect of auditor’s report and associated audit process.

Members who are in the role of preparers of financial statements and those charged with governance are requested to fill the survey.

The survey can be accessed at: <https://docs.google.com/forms>

3. New and Revised Quality Management Standards (ISQM 1, ISQM 2, ISA 220 (Revised))

The IAASB issued a suite of quality management standards in December 2020:

- International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagement*;
- ISQM 2, *Engagement Quality Reviews*;
- ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.



The new and revised quality management standards are effective from December 15, 2022, and are designed to move the profession away from quality “control” and toward quality “management”. The quality management standards include a new proactive and risk-based approach to effective quality management systems within firms that establish the foundation for consistent engagement quality.

The Committee has started evaluation of implications of these new quality standards on practitioners and firms in Pakistan. The Committee is also planning to hold awareness and knowledge-sharing webinars in near future, details of which would be shared in due course.

The quality management standards, their basis for conclusions and factsheets can be downloaded from IAASB website using link: <http://www.iaasb.org>

INTERNATIONAL DEVELOPMENTS

1. Final installment of the IESBA ‘Exploring the IESBA Code Installment’ series

IFAC in collaboration with the International Ethics Standards Board for Accountants (IESBA) has issued final installment of the twelve-installment educational series ‘Exploring the IESBA Code’.

Each installment focuses on a specific concepts and topics of the ‘IESBA Code of Ethics for Professional Accountants (including International Independence Standards)’ (the IESBA Code) using real-world situations that is more relatable and practical.

The final installment, explains the “building blocks” structure of the Code and its interconnected nature. This installment is intended to help readers better understand how to use and navigate the Code easily and access the ethics and independence standards relevant to them.

For more details of the IESBA Code Installment series, please use the link: <https://www.ifac.org>

2. IESBA Underlines importance of Objectivity for Engagement Quality Reviewers and Other Appropriate Reviewers through Enhanced Guidance

The IESBA has issued revisions to the IESBA Code in January 2021 to address and align the requirements of IAASB’s new standard ISQM 2, *Engagement Quality Reviews*.

The revisions support ISQM 2 in addressing the eligibility of an individual to serve in an EQR role, focusing on the critical attribute of objectivity. Among other matters, the guidance explicitly refers and supports the requirement of ISQM 2 for a cooling-off period, as a condition for eligibility, before an engagement partner can assume the EQR role on the same engagement.

The enhanced guidance will become effective for periods beginning on or after December 15, 2022 and can be viewed at: <https://www.ifac.org>

3. IFAC and ICAEW release Six-Part Anti-Money Laundering Educational Series

IFAC together with ICAEW has issued ‘Anti-Money Laundering: The Basics’ educational series. This six-part publication comprised of short series on following topics:

Installment 1 - Introduction to Anti-Money Laundering for Professional Accountants

Installment 2 - A Risk-Based Approach

Installment 3 - Company Formation

Installment 4 - Asset Transfers

Installment 5 - Tax Advice

Installment 6 - Businesses in Difficulty

IFAC believes that the installment series, with its focus on accessibility and ease of use, will be a resource for Small and Medium Practices (SMPs,) and accountants less familiar with AML, while also providing guidance for those looking for a quick refresher or reference. Details about the series can be viewed at: <https://www.ifac.org>

4. Choosing the Right Service: Comparing Audit, Review, Compilation and Agreed-Upon Procedures Services

SMPs can provide audit, review, compilation, and agreed-upon procedures services, tailored to meet the needs of their small- and medium-sized entity clients.

IFAC has developed a publication specifically for SMPs to explain and differentiate the range of audit, review, compilation, and agreed-upon procedures services.

The publication can be downloaded from <https://www.ifac.org>

5. Agreed-Upon Procedures Engagements - A Growth and Value Opportunity

Agreed-Upon Procedures (AUP) engagements are carried out under International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*.

AUP engagements provide a great opportunity for SMPs to grow and provide a valued service to their clients. To facilitate practitioners and specially SMPs, IFAC has published a 'Growth and Value Opportunity Value Report' that explains various aspects and benefits of an AUP engagement. The publication covers short case studies and illustrations of AUP reports from ISRS 4400 (Revised).

The publication can be downloaded from: <https://www.ifac.org>

6. Assurance Standards keeping pace on Non-Financial Reporting

The International Auditing and Assurance Standards Board (IAASB) has issued '*Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements*'.

EER sums up many different forms of reporting, including, sustainability or ESG (environmental, social and governance) reporting, integrated reporting, reporting on corporate social responsibility, greenhouse gas statements, and service performance reporting in the public sector.

The guidance is based on ISAE 3000 (Revised), and it is a step forward in supporting the evolving field of assurance for non-financial reporting.

The guidance responds to practitioner and user-identified challenges in the practical application of the standard to assurance engagements on EER.

Guidance can be downloaded from: <https://www.iaasb.org>

7. Addressing Risk of Overreliance on Technology arising from the use of Automated Tools and Techniques and from information produced by an entity's systems

The IAASB has issued the Non-Authoritative Frequently Asked Questions document to help auditors in addressing the risk of overreliance on technology, whether it arises from using automated tools and techniques or from using information produced by an entity's systems.

The publication can be downloaded from: <https://www.iaasb.org>

8. IESBA proposes holistic approach to defining a Public Interest Entity

The IESBA has issued the Exposure Draft, *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*, for public comments.

IESBA has proposed to broaden the definition of a public interest entity (PIE) by including more categories of entities, given the level of public interest in their financial condition (i.e. how its financial success or failure may impact the public).

Comments on the Exposure Draft can be submitted by May 3, 2021.

The Exposure Draft can be downloaded and reviewed using the link: <https://www.ifac.org>

9. IESBA 2020 Handbook

The 2020 Edition of the IESBA Handbook on Code of Ethics is now available and replaces the 2018 version. The 2020 version includes the revised and restructured Code, which has been in effect since June 2019. It also contains the revisions to the Code that will come into effect in 2021, including:

- a. The revisions to Part 4B of the Code to reflect terms and concepts used in ISAE 3000 (Revised) which will be effective in June 2021.
- b. Revisions to promote the role and mindset expected of professional accountants which be effective in December 2021.

IESBA 2020 Handbook can be downloaded from: <https://www.ethicsboard.org>

10. IESBA eNews March 2021 Edition

The IESBA has issued latest edition of the IESBA e-newsletter which include highlights of the various activities of the IESBA, the upcoming virtual Board Meetings, and much more.

IESBA eNews can be downloaded using link: <https://www.ethicsboard.org/>

11. COVID-19: Ethics and Independence Considerations

The IESBA in collaboration with national standard setters from Australia, Canada, China, South Africa, the UK and the US (AICPA), has developed COVID guidance and details can be found on IESBA COVID-19 Resource Page.

Previously, IESBA had issued Staff Questions and Answers (Q&As) publication, COVID-19: Ethics and Independence Considerations, to highlight aspects of the Code that might be relevant in navigating ethics and independence challenges during the pandemic.

Details about publications can be found at: <https://www.ethicsboard.org/focus-areas>

12. IAASB proposes to align existing standards with new and revised Quality Management Standards

The IAASB has issued Exposure Draft '*Proposed Conforming Amendments to the IAASB's Other Standards and Framework due to the New and Revised Quality Management Standards*' for public comments.

The Exposure Draft proposes changes to address inconsistencies in certain IAASB standards and framework resulting from the new and revised quality management standards. Comments on the Exposure Draft are requested by May 24, 2021.

The Exposure Draft can be accessed from the IAASB or Institute's website using following links:

<http://www.icap.net.pk/open-for-comment>
<https://www.iaasb.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.



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