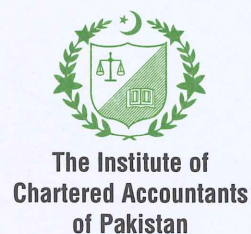


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CA
PAKISTAN

Circular No. 06/ 2023

October 23, 2023

ALL MEMBERS OF THE INSTITUTE

Dear Member

Publication on 'ISQM Guide and Toolkit'

The Auditing Standards and Ethics Committee of the Institute has developed the enclosed '**ISQM Guide and Toolkit**' (**the Toolkit**) to facilitate audit firms to develop a System of Quality Management (SOQM) in their firms in accordance with the 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 Engagements*, issued by the International Auditing and Assurance Standards Board (IAASB).

The Institute has adopted suit of IAASB's Quality Management Standards (ISQM 1, ISQM 2 and ISA 220 (Revised)) through ICAP Circular 06/2022 (dated November 25, 2022). The foundation of ISQM 1 and a key change from extant ISQC 1, *Quality Control for Firms that perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*, is that the firm needs to follow a risk-based approach to quality management. A risk-based approach helps the firm to tailor the SOQM according to the firm's circumstances, as well as the circumstances of the engagements performed by the firm.

The firms performing the audits of public interest companies are required to have SOQM designed and implemented in accordance with ISQM 1 by December 15, 2023. Whereas firms performing the audits of other than public interest companies are required to have SOQM designed and implemented by December 15, 2024. With the adoption of Quality Management Standards, the extant ISQC 1 and ISA 220 will be superseded.

This matrix-based Toolkit has been designed to facilitate audit firms in performing risk assessment process, and help identify quality objectives, quality risks and associated controls to design and implement their own SOQM in compliance with the requirements of Quality Management Standards.

The Toolkit is suitable to audit firms of all sizes and provides with a bank of over 120 potential risks and their controls on six components of ISQM 1, that are, Governance and leadership, Relevant Ethical Requirements, Acceptance and Continuance of client relationships and specific engagements, Engagement Performance, Resources and Information and Communication. Firms can use this Toolkit as a starting point to ensure that all their firm's relevant risks and responses are adequately identified and documented in accordance with Quality Management Standards.

The Toolkit is available on ICAP website and can be downloaded using the link:

<https://www.icap.net.pk/files/sqm/ISQM-guide-and-toolkit.pdf>

We hope that the Toolkit will assist you in understanding and applying the requirements of Quality Management Standards.

Members are advised to take note of the above.

Yours truly

Muhammad Imran Khan
Director Technical

Enclosed: as above

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