



The Institute of  
Chartered Accountants  
of Pakistan

CA  
PAKISTAN

# Audit Bulletin

January - March 2024 | Issue 37



## UPDATES FROM THE AUDITING STANDARDS & ETHICS COMMITTEE

### 1. Implementation of ISQM Standards and Consequential impact on the Assurance and AUP Reports: Replacement of term ISQC 1 with ISQM 1

ICAP through its Circular 06/2022 (dated November 25, 2022) has adopted ISQM standards (ISQM 1, ISQM 2, and ISA 220 (Revised) issued by the International Auditing and Assurance Standards Board (IAASB). The standards have become effective for firms auditing Public Interest Companies (PIEs) from December 15, 2023 and for other, will be effective from December 15, 2024. As a result of this implementation, the previous *International Standard on Quality Control (ISQC) 1* and ISA 220 have been superseded for PIE auditors.

Members have been advised through ICAP Circular No. 04/2024 (dated March 20, 2024) to take into account the consequential impact of this change in the Quality Management section of the assurance reports issued under ISAE 3000 (Revised) and agreed-upon procedure reports issued under ISRS 4400 (Revised) and accordingly use the term '*International Standard on Quality Management 1*' instead of ISQC 1.

ICAP Circular can be accessed using the link:  
<https://www.icap.net.pk/wp-content/uploads/2024/03/Circular4of2024.pdf>

### 2. ICAP Circular No. 01 - Amendments to IAS 1 and consequential impact on the Auditor's Report



Effective for annual reporting periods starting on or after January 1, 2023, the International Accounting Standards Board (IASB) amended IAS 1, *Presentation of Financial Statements*, in February 2021. As per the amendment, companies are now required to disclose 'material accounting policy information' instead of 'a summary of significant accounting policies.'

In response to this IASB amendment, the IAASB has updated the illustrative auditor's reports in the Appendix to ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* and accordingly, auditors are now required to use the term 'material accounting policy information' in their auditor's report issued under ISA 700 (Revised) and the Companies Act, 2017, in place of the old term for the audits of financial statements following International Financial Reporting Standards from January 1, 2023 onward.

Above information has been communicated to ICAP members through Circular No. 01/2024 dated January 26, 2024.

Circular 01 can be downloaded at below link.  
<https://www.icap.net.pk/wp-content/uploads/2024/01/Circular1of2024.pdf>

### 3. ICAP comments on PSX 'Proposed Amendments to PSX Regulations and changes in Forms 3 and 7 of the Correspondence Manual of PSX'

Pakistan Stock Exchange (PSX) through its Notice No. PSX/N-79 (dated January 22, 2024) has proposed following two proposed amendments:

1. To empower PSX to conduct off-site monitoring of listed companies and may require listed company's directors, executives and/or relevant external auditor(s) to produce documents, information or record for this purpose; and
2. Changes in Forms 3 and 7 of PSX's Correspondence Manual to require dissemination of complete financial statements and other information to PSX immediately after holding of the board meeting of a listed company.

In view of significant consequences of the proposed changes, ICAP respective Committee had a meeting with PSX representatives in which practical challenges and legal consequences were discussed in detail, subsequent to which ICAP comments have been submitted to PSX on February 23, 2024 for their consideration.

PSX Notice can be viewed at:  
[https://www.psx.com.pk/psx/themes/psx/uploads/N-79\\_Offsite\\_monitoring\\_and\\_Form\\_3\\_7\\_of\\_CM\\_January\\_22\\_2024\\_CRO.pdf](https://www.psx.com.pk/psx/themes/psx/uploads/N-79_Offsite_monitoring_and_Form_3_7_of_CM_January_22_2024_CRO.pdf)

## LOCAL DEVELOPMENT

### 1. Amendments to Auditors (Reporting Obligations) Regulations, 2018

The Securities and Exchange Commission of Pakistan (SECP) through its S.R.O. 9 (I)/2024 (dated Jan 02, 2024) has made addition of new regulation 6A in the 'Auditors (Reporting Obligations) Regulations, 2018' (Auditors Reporting Regulations).

The said regulation 6A now mandatorily requires auditors to include UDIN (Unique Document Identification Number) in all reports issued under the Auditors Reporting Regulations. To ensure its compliance, it is essential to incorporate the term "UDIN" after the word "date" in Annexures I to VI of the said Regulations.

The SRO can be found on the below link:

<https://www.secp.gov.pk/document/s-r-o-9-i-2024-amendments-to-the-auditors-reporting-obligations-regulations-2018/?wpdmdl=50307&refresh=65b098cd4d2561706072269>

### 2. Requirement to mention UDIN in Audit Reports of Modaraba companies and Modarabas

SECP, through its Directive No. 2 of 2024 (dated Jan 17, 2024) has mandated all Modaraba companies and Modarabas to ensure that their auditors mention the UDIN on both initial and revised audit reports. The UDIN should be generated from ICAP designated portal.

The Directive can be found on the link:

<https://www.secp.gov.pk/document/direction-no-2-of-2024/?wpdmdl=50382&refresh=65b0d17b911e61706086779>

### 3. SECP issues new "Companies Regulations 2024"

SECP through its S.R.O. 210 (I) /2024 (dated February 12, 2024) has notified new "Companies Regulations 2024".

SECP has simplified the regulatory framework by consolidating regulations, reducing the number of forms from 75 to 28 which will eliminate duplication and will ensure clarity. The Regulations covers various aspects, including company incorporation, compliance, licensing, share capital, group registration, and exit procedures.

Details can be found on the below link:

<https://www.secp.gov.pk/document/the-companies-regulations-2024/?wpdmdl=50574&refresh=65df222f66bc21709122095>

## INTERNATIONAL DEVELOPMENT

### 1. Issuance of IESBA's Exposure Drafts Public Comments - Proposed IESSA & ethics standards relating to Sustainability Reporting and Using the Work of an External Expert



The International Ethics Standards Board for Accountants (IESBA) has published the following two Exposure Drafts (EDs) for public consultation:

- International Ethics Standards for Sustainability Assurance (IESSA); and
- Using the Work of an External Expert

The *ED on Sustainability Assurance* offers a clear guidance on expected behaviors and ethics provisions for use by all sustainability assurance practitioners including professional accountants. The standard aims to mitigate greenwashing and elevate the quality of sustainability information. Comments on the ED are requested by May 10, 2024.

The *ED on Using the Work of an External Expert* offers guidance to professional accountants or sustainability assurance practitioners, in assessing whether an external expert has the required competence, capabilities and objectivity to use the work of an expert for the intended purposes. Comments are requested by April 30, 2024.

The above EDs can be downloaded using the link:

<https://www.ethicsboard.org/news-events/2024-01/iesba-launches-public-consultation-new-ethical-benchmark-sustainability-reporting-and-assurance>

### *Webinar Series on proposed IESSA and using the work of an External Expert*

IESBA has also hosted global webinars in February and March 2024 on these proposed standards to explain to the stakeholders the key proposals made in the Exposure Drafts and revisions to the existing codes concerning sustainability reporting and using external experts.

The news can be access using link:

<https://www.ethicsboard.org/news-events/2024-03/iesba-holds-three-interactive-webinars-proposed-iesba-and-ethics-standards-relating-sustainability>



## 2. IESBA Staff Releases a High-Level Summary of Prohibitions in the IESBA Code for Audits of Public Interest Entities



IESBA has published a summary focusing on independence rules for auditing PIEs. The summary clarifies the IESBA Code of Ethics for Professional Accountants by highlighting prohibited activities for PIE audits. It serves as a helpful reference for various stakeholders, including regulators, auditors, investors, and educational institutions.

The news can be access using link:

<https://www.ethicsboard.org/news-events/2024-03/iesba-staff-releases-high-level-summary-prohibitions-iesba-code-audits-public-interest-entities>

## 3. IAASB Moves to Strengthen Auditor's Efforts Related to Fraud



The International Auditing and Assurance Standards Board (IAASB) has proposed significant changes in ISA 240: *Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* to strengthen auditors' efforts in detecting fraud and ensuring integrity of financial reporting by improving the effectiveness of audit.

The key changes include clarifying auditor responsibilities, emphasizing professional skepticism, strengthening risk assessment for fraud, improving response protocols for identified fraud, enhancing communication with management and governance, and increasing transparency about auditors' responsibilities in their reports.

The news can be access using link:

<https://www.iaasb.org/news-events/2024-02/iaasb-moves-strengthen-auditors-efforts-related-fraud>

## 4. IAASB Opens Public Consultation on Narrow Scope Amendments to meet Expectations for Public Interest Audits

IAASB has initiated a consultation on proposed changes to align more closely with IESBA's *International Code of Ethics for Professional Accountants (Including Independence Standards)* (IESBA Code).

The revisions aim to synchronize definitions and requirements in IAASB standards with the IESBA Code. The proposed amendments extend certain requirements for listed entities to meet increased expectations for auditing PIEs.

Key changes include broader applicability of ISQM standards and ISAs, encompassing engagement quality reviews, enhanced transparency in auditor reports including auditor independence, key audit matters, and the engagement partner's name, and improved communication with those overseeing financial reporting.

The news can be access using link:

<https://www.iaasb.org/news-events/2024-01/iaasb-opens-public-consultation-narrow-scope-amendments-meet-expectations-public-interest-audits>

## 5. IAASB launches Global Webinar to understand the ISA for LCE

IAASB has introduced new resources to help stakeholders in understanding and implementing the ISA for LCE, a standard for audits of less complex entities.

Resources include a three-part video series covering key aspects of the standard and a global webinar held on April 3, 2024, which explained the purpose, applicability, and benefits of the ISA for LCE.

This is an emerging requirement for the auditing profession and ICAP is cognizant of the significance of the matter, and accordingly has been timely communicating or disseminating the related news to its members. Members are encouraged to actively participate in the webinars on ISA for LCE and also follow the IAASB relevant resources.

The news can be access using link:

<https://www.iaasb.org/news-events/2024-03/iaasb-launches-new-video-series-and-global-webinar-understand-isa-lce>

## 6. Sustainability Reporting and Assurance Practices of Largest Global Companies Continue to Mature



IFAC, AICPA, and CIMA has conducted a study which indicates a significant improvement in sustainability reporting among the world's largest companies. According to study, nearly all companies, about 98%, now disclose some level of sustainability information, up from 91% in 2019. Moreover, 69% of these companies seek assurance on at least some of their sustainability disclosures, showing an increasing trend.

The study also highlighted a decline in standalone sustainability reports, with only 30% of companies using them in 2022, preferring to integrate sustainability information into annual reports. Additionally, accounting firms are increasingly handling a majority of assurance engagements, signalling a growing acknowledgment of the need to align sustainability disclosure with financial reporting standards for enhanced consistency and reliability.

The news can be accessed at the link below:  
<https://www.ifac.org/news-events/2024-02/sustainability-reporting-and-assurance-practices-largest-global-companies-continue-mature-ifac-aicpa>

## 7. IFAC Publishes Sustainability & Education Literature Review



The International Federation of Accountants (IFAC) has released a literature review titled “Educating Accountants for a Sustainable Future”. This review focuses on competencies, educational strategies, and challenges related to sustainability reporting and assurance. It highlights the changing landscape of sustainability disclosure and the profession’s efforts to equip professionals with the necessary skills.

The news can be accessed at the link:  
<https://www.ifac.org/news-events/2024-01/ifac-publishes-sustainability-education-literature-review>



Technical services department look forward to your comments and feedback and can be shared at:  
[farheen.mirza@icap.org.pk](mailto:farheen.mirza@icap.org.pk)

### 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.