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UPDATES FROM ICAP

1. ICAP establishes 'Auditing Standards & Ethics Board'

The Institute of Chartered Accountants of Pakistan (ICAP) has recently converged its previous Auditing Standards & Ethics Committee into '*Auditing Standards & Ethics Board*' (ASEB) with extended scope and multistakeholder representation.

The Board aims to set high quality auditing, assurance and ethics standards and guidance in Pakistan. It will work in public interest to improve audit quality in Pakistan, promote ethical conduct, and strengthen public confidence in the auditing profession by actively engaging with national stakeholders and international standard-setting bodies. This commitment aligns with global best practices and ensures that our standards are those set by the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA).

The ASEB comprises representatives from the Securities and Exchange Commission of Pakistan, the State Bank of Pakistan, the Pakistan Stock Exchange, the Auditor General of Pakistan, ICAP Quality Assurance Board along with practicing members of ICAP and professionals from the industry. This diverse composition ensures greater transparency and inclusive stakeholder participation in the standard-setting process.

The ASEB will perform its functions through the Working Group. Details of the Board's TORs, composition and its working groups can be accessed through the ASEB webpage at the [link](#).

2. Electronic Bank Confirmation

A bank confirmation letter is an important audit procedure, as required in ISA 505, *External Confirmations*, which auditors perform to obtain reliable audit evidence for audit clients directly from banks confirming their bank balances and other financial arrangements. At present, auditors send paper-based bank confirmation request letter to banks as per the format prescribed by ICAP through its *ATR 18 'Bank Reports for audit purposes'*. The process, while comprehensive, has challenges including time delays, increased risk of miscommunication, high risk of fraud and environmental considerations associated with paper usage.

To address these challenges, ICAP is considering the use of an Electronic Bank Confirmation Platform (E-Platform) to streamline the bank confirmation process that would be beneficial to the auditors in obtaining the bank confirmations. The use of an E-Platform would offer a more efficient, secure, and eco-friendly approach to obtaining bank confirmations and it is being used in various jurisdictions. The E-Platform is secured by propriety end-to-end encryption technology and ensures secured data transmission.

ICAP has approached two global service providers who develops digital platform for bank confirmations, i.e., Thomson Reuters Confirmation, and AppAsia International SDN BHD. However, only AppAsia has shown their willingness to setup the E-Platform in Pakistan with data to be placed on servers in Pakistan.

A MOU has been signed between ICAP-AppAsia on January 27, 2025 which aims to establish and implement E-Platform, known as "eConfirm Pakistan".

ICAP has organised a consultative seminar on E-Bank Confirmation particularly for banking community on January 13, 2025 at ICAP Karachi, Lahore, and Islamabad and virtually for other regions, which was attended by representatives of major banks, audit firms, and the banking community with representation of senior executives of SBP, PBA, SECP, OICCI. The regulators have also endorsed the project and are willing to provide their support in its implementation. The event details can be accessed using the [link](#):

3. ICAP Circular on ensuring compliance with the Auditors' Independence requirements

ICAP, through Circular No. 1/2025 '*Auditors' Independence: Adherence to Provisions under ICAP Code of Ethics and applicable Laws and Regulations*' has notified its practicing members of the critical importance of maintaining independence in audit and non-assurance engagements.

The circular highlights key requirements related to auditor independence, approvals for audit fees and for providing non-assurance services to audit client in line with the Companies Act, 2017, PSX Rule Book, SECP Code of Corporate Governance, 2019, and the ICAP Code of Ethics. Audit firms are advised to ensure engagement teams are free from independence threats, maintain proper documentation, and communicate effectively with those charged with governance in this regard.

Circular 1 can be accessed using the [link](#).

4. ICAP submits comments on the SECP Consultation paper 'Cost Audit Regime in Pakistan'

The Institute has submitted its comments on the SECP Consultation Paper on Cost Audit Regime in Pakistan issued on January 15th, 2025. The Institute Taskforce in its comments emphasized the need for a thorough assessment of the necessity and proper utilization of cost audits, and evaluate the benefits achieved by relevant ministries, regulatory authorities, and companies so far.

The SECP consultation paper can be accessed using the [link](#).

INTERNATIONAL DEVELOPMENT

1. IAASB approves ISA 240 (Revised)

The IAASB has approved ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* in its March 2025 meeting. The standard will be published following certification by the Public Interest Oversight Board, in early July 2025. The revised fraud standard promotes consistent practice and drives change in auditor behavior when addressing fraud and includes key revisions:

- Reinforce the exercise of professional skepticism and add emphasis on auditor's responsibilities;
- Enhance communications throughout the audit with management and those charged with governance;
- Apply a fraud lens to risk identification and assessment;
- Enhance transparency by communicating KAMs related to fraud in the auditor's report and audit documentation requirements.

The revised ISA 240 will be effective for audits of financial statements for periods beginning on or after December 15, 2026 and can be accessed at the [link](#).

2. IAASB revises ISA 570

The IAASB has issued the revised ISA 570, Going Concern. The revised standard responds to corporate failures that raised questions regarding the auditor's responsibilities by significantly enhancing the auditor's work in evaluating management's assessment of an entity's ability to continue as a going concern. The key revisions:

- Enable the robust identification of events or conditions that may cast significant doubt on the entities ability to continue as a going concern, strengthen the auditor's evaluation of management's assessment of going concern, and support exercise of professional skepticism, including to consider the risk of management bias.
- Extend the commencement date of 12-month period of management's assessment of going concern.
- Enhance transparency with respect to the auditor's responsibilities and work related to going concern.

The standard will be effective for audits of financial statements for periods beginning on or after December 15, 2026 and can be accessed using this [link](#).

3. Modernizing ISRE 2410

The IAASB has initiated the project to revise International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, in particular, the core issues identified with the use of ISRE 2410 in practice and how to address these issues.

Details can be accessed at the [link](#).

4. IAASB releases Implementation Guide for the ISA for LCE

The IAASB has published a first-time implementation guide for ISA for Less Complex Entities (LCE) on March 27, 2025. This new guide provides an overview of the standard's concepts, structure, and format, offering detailed insights into each part of the standard with examples and comparisons to ISAs. It is designed to help practitioners effectively apply the ISA for LCE in audits of smaller and less complex entities.

Implementation guide can be accessed using this [link](#).

5. IESBA issues 'International Ethics Standards for Sustainability Assurance'

The International Ethics Standards Board for Accountants (IESBA) has issued the *International Ethics Standards for Sustainability Assurance (IESSA)* on Jan 17, 2025, which contains the ethical principles for the sustainability assurance practitioners and addresses critical risks to the integrity, quality and effectiveness of sustainability reporting and assurance such as bias, conflicts of interest, pressure to act unethically, fraud including greenwashing, non-compliance with laws and regulations, and threats to the independence of the assurance practitioners.

The effective date of the standard is periods beginning on or after December 15, 2026, with earlier application permitted.

The standard, fact sheet and implementation guide can be accessed using the [link](#).

6. IESBA issues Consultation Paper on Auditor Independence for Audits of Collective Investment Vehicles and Pension Funds

The IESBA has issued a Consultation Paper to seek feedback on auditor independence in audits of Collective Investment Vehicles (CIVs) and Pension Funds. This consultation aims to evaluate whether the current International Independence Standards are sufficient to address independence concerns related to the involvement of "Connected Parties" in these investment schemes. Comment deadline is June 30, 2025.

Details can be accessed using this [link](#).

7. IFAC issues 2024 Global Adoption Status Snapshot

IFAC has published 2024 Global Adoption Status Snapshot (International Standards) which highlights how widely international standards are embraced across IFAC member jurisdictions. The 2024 update highlights a selection of success stories from IFAC members. It also identifies the conditions that help advance adoption and implementation, as well as more opportunities for further collaboration and connected learning.

To access the snapshot, click on this [link](#).



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

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