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ICAP

ASEB Circular No. 18/2025

October 10, 2025

ALL PRACTICING MEMBERS

Dear Practicing Member

Request for Comments - Time Estimation and Documentation for Audit Engagement(s) of Public Interest Companies (PICs)

The Institute is committed to improving the quality of audit for Public Interest Companies (PICs) to protect the public interest and maintain confidence in financial reporting.

Through this circular, the Institute is considering to mandate the audit firms documentation of budgeted and actual time spent on the audit to ensure that audit firms allocate sufficient resources commensurate to audit engagements based on their nature, complexity, and risks. Inadequate time and resource allocation, often reflected in audit fees that are not rationally determined, can pose a significant threat to audit quality. Such deficiencies may lead to a failure to obtain sufficient appropriate audit evidence, compromising the integrity and reliability of the audit opinion.

The Institute proposes that firms auditing PICs to establish a strong process for the estimation and documentation of time spent on PIC audits.

Proposed Requirements

i. Time Estimation and Planning

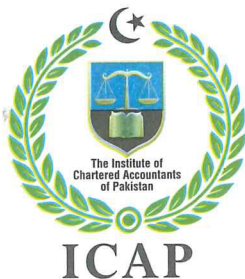
Before starting any audit for a PIC, the audit engagement partner, with the team, would be expected to develop a detailed time budget. This budget should be based on an understanding of the client's business, internal controls, and identified risks. It should allocate time for all key audit phases, including planning, risk assessment, understanding the entity, testing internal controls, substantive procedures, reviewing financial statements, and reporting. The engagement partner would be expected to review and approve the budget and revise it as necessary.

ii. Documentation of Actual Time Spent

All audit team members need to accurately record in the audit engagement file prior to archiving, the actual time spent on the audit as per detailed budget which should be compared with the time budget and significant variations between these should be appropriately documented with reasons of the variances.

iii. Review and Analysis

The audit engagement partner would be required to review the documentation of actual time spent and compare it with the budget along with reasons of variances and should approve the same prior to archiving.



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iv. Integration with ISQM 1

The proposed requirements are aligned with the International Standard on Quality Management 1 (ISQM 1). Firms would be required to integrate the above requirements into their quality management system, ensuring policies and procedures address:

- Resources: Ensuring engagement teams have sufficient time and resources.
- Engagement Performance: Ensuring engagements are performed to achieve quality.
- Monitoring and Remediation: Evaluating if sufficient resources were allocated and using findings to improve quality management.

v. Quality Control Review (QCR)

Once mandated by the Institute, the above requirements shall apply to all audit firms and their audit partners involved in the audit of Public Interest Companies (PICs), as defined under the Companies Act, 2017. Furthermore, time estimation and documentation records for PIC audits would be made available during QCR reviews to ensure compliance.

Request for Comments

Members are invited to provide comments and feedback on the proposed requirements relating to time estimation and documentation for audit engagement of Public Interest Companies. Comments can be sent at the Board's email id at: aseb@icap.org.pk latest by **October 25, 2025**.

Yours truly


Muhammad Imran Khan
Director, Technical Services