

ICAP HEAD OFFICE

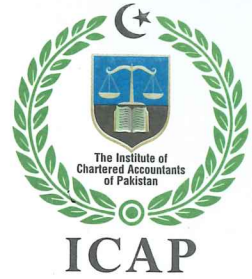
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ASEB Circular No. 20/2025

October 17, 2025

ALL PRACTICING MEMBERS

Dear Practicing Member

Request for Comments - Mandating public disclosure of 'Audit Quality Indicators (AQIs)' by Audit Firms for audits of Public Interest Companies (PICs)

Introduction

The Institute is committed to ensuring a robust and transparent financial reporting ecosystem in Pakistan. Recognizing the pivotal role of high-quality audits in maintaining public trust, promoting investor confidence, and ensuring the integrity of financial markets, the Institute deems it imperative to enhance transparency around audit quality.

Through this Circular, the Institute proposes the public disclosure of specific Audit Quality Indicators (AQIs) by audit firms engaged in the audits of Public Interest Companies (PICs). The objective is to provide stakeholders, including investors, audit committees, regulators, and the public, with greater insight into the factors that contribute to audit quality and the appropriateness of audit fees. By promoting transparency, ICAP aims to incentivize continuous improvement in audit practices and reinforce accountability within the profession.

By making key indicators transparent, audit firms would be further incentivized to invest in their audit processes, training, and resources, thereby elevating the overall quality of audits. Stakeholders, including audit committees, would be better equipped to make informed decisions when selecting and overseeing audit firms, leading to more robust governance. Transparency around effort and resources deployed in an audit, alongside client risk, would facilitate a more informed discussion on the appropriateness and fairness of audit fees.

Scope and Applicability

ICAP proposes to apply these requirements to all practicing members/audit firms that conduct statutory audits of PICs as defined under the Companies Act, 2017. Audit firms would be required to specify the total number of PICs segregating between listed and unlisted companies, where they are the statutory auditors. The disclosures would be made publicly on the respective audit firm's website.

Mandated Audit Quality Indicators (AQIs) and Explanations

Audit firms would be required to publicly disclose the AQIs as mentioned in **Annexure**.

Audit firms would be expected to create a dedicated section on their official website titled "Audit Quality Indicators" or similar, easily accessible from the homepage. The disclosed information should be presented in a clear, concise, and user-friendly format, preferably in tabular form where appropriate.

The AQI data would be updated once a year by April 30.

The firm's senior/ managing partner or a designated senior partner would be responsible for ensuring the accuracy and completeness of the publicly disclosed AQIs.

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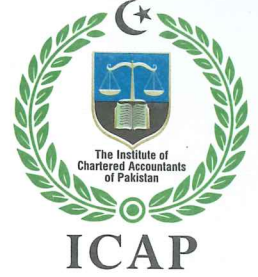
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The Institute may verify the accuracy of the disclosed information through its quality assurance processes. Misrepresentation or non-compliance with the aforesaid requirements may result in disciplinary action.

Once mandated by the Institute, the above requirements would apply to audit firms to publicly disclose the AQIs. The first disclosure would be made by September 30, 2025, covering information relating to financial years ended on or before December 31, 2024. Thereafter, disclosures would be made annually by April 30, covering audit reports signed during the preceding calendar year.

Request for Comments

Members are invited to provide comments and feedback on the proposal to mandate public disclosure of 'Audit Quality Indicators (AQIs)' by Audit Firms for audits of Public Interest Companies. Comments can be sent at the Board's email id at: aseb@icap.org.pk latest by November 4, 2025.

Yours truly,


Muhammad Imran Khan
Director, Technical Services

Encl: As above.

REGISTERED OFFICE

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Audit Quality Indicators (AQIs):

S. #	Audit quality indicator	Explanation
1	Assignment of functional roles	This indicator reflects that all the functional roles required by the ISQM 1 are assigned by the audit firm and how many multiple roles a person is performing.
2	Staffing leverage	This indicator reflects the composition of the audit resources of the audit firm. A balanced staffing leverage can indicate appropriate supervision and review within the audit team.
3	Training hours per audit professional	This measures the average number of hours of continuing professional development (CPD) and technical training undertaken by audit professionals within the firm annually. Adequate training ensures that audit teams possess up-to-date knowledge of accounting standards, auditing pronouncements, and relevant industry developments.
4	Technical Accounting and Auditing Resources	This indicator assesses the firm's investment in and accessibility of specialized technical resources, such as dedicated technical departments, research tools, and expert consultations. Robust technical resources are crucial for addressing complex accounting and auditing issues.
5	External Inspection Results	This refers to the outcomes of external quality control review conducted by ICAP's under QCR Framework. Positive external inspection results provide independent assurance of the firm's adherence to professional standards.
6	Compliance with Independence Requirements	This indicator demonstrates the firm's commitment to upholding auditor independence, which is fundamental to the credibility of audit opinions. It encompasses policies, procedures, and internal monitoring related to independence.
7	Audit Partner Workload	This indicator reflects the number of audit engagements for which a particular audit partner is responsible. An excessive partner workload may impact the level of partner involvement and oversight on individual engagements.
8	Audit Manager and Staff Workload	This indicator provides insight into the allocation of audit professionals (managers and staff) across engagements. Overburdened teams may compromise audit quality due to time pressures.
9	Experience of Audit Personnel	This indicator highlights the experience levels of the key personnel involved in the audit engagement, including the engagement partner, manager, and other audit professionals. Experienced teams are generally better equipped to navigate complex audit issues.
10	Audit Fees, Effort, and Client Risk	This provides context for the audit fee in relation to the estimated audit effort and the inherent risks associated with the client. It helps stakeholders assess whether the audit fee is commensurate with the complexity and risk of the engagement.

Audit Quality Indicators

Disclosure Requirements

1. Assignment of functional roles

S. No.	Functional role (by whatever name called to comply with ISQM 1 requirements)	Assigned Yes/No (also identify if the person is responsible for how many other functional roles)
1.	Assurance Leader	
2.	Audit Quality Leader	
3.	Risk Management Leader	
4.	Human Capital Leader	
5.	Independence Leader	
6.	Ethics Leader	
7.	Learning & development leader	

2. Staffing leverage

(i) Total number of audit partners

(ii) Total number of persons who are chartered accountants/members of the Institute other than audit partners

(iii) Total number of other audit professionals (e.g. other qualification or part qualified excluding students under the Chartered Accountants Ordinance, 1961); and

(iv) students under Chartered Accountants Ordinance, 1961.

(v) Total number of other partners, Total number of persons in managerial capacity and Total number of other professional staff shall be separately disclosed for each of these categories.

3. Training hours per audit professional

Average annual training hours per audit professional (firm-wide) for each level mentioned in 1 above.

4. Technical Accounting and Auditing Resources

A qualitative description of the firm's technical accounting and auditing resources and their utilization.

5. External Inspection Results

A summary of recent external inspection findings, including any significant deficiencies identified and remediation actions taken. This should be presented in a manner that complies with confidentiality requirements, focusing on aggregate or generalized findings where necessary.

6. Compliance with Independence Requirements

A qualitative description of the firm's policies and procedures to ensure compliance with independence requirements, along with a statement confirming the firm's adherence to these policies. The description to mention if there was a significant breach of independence and the action taken by the audit firm.

7. Audit Partner Workload

Number of PIC audit engagements presented separately for each category of PICs as per the Third Schedule to the Companies Act, 2017 for which the engagement audit partner is primarily responsible in the reporting period.

8. Audit Manager and Staff Workload

Total number of PIC audit engagements for which audit managers and other audit staff are primarily assigned during the reporting period. This information is to be presented for range of 1-3 PICs, 4-6 PICs and 7 & above PICs against which the total number of respective audit managers and audit staff falling under the above ranges to be mentioned.

9. Experience of Audit Personnel

For the engagement audit partner and audit managers, their years of experience in auditing PICs. This information is to be presented for each two years interval e.g. 1-2 years, 3-4 years and onwards till 10 years & above and the total number of respective audit partners and audit managers falling under the above ranges.

10. Audit Fees, Effort, and Client Risk

(i) Total audit fees charged as per the audited financial statements for each PIC audited.

(ii) Total audit hours incurred on the audit by (i) engagement partner and (ii) other audit professionals separately for each PIC audited and the total benchmark hours published by the Institute applicable for the respective audit engagement based on the turnover of the PIC.

(iii) A qualitative assessment of the inherent client risk (e.g., low, medium, high) based on the firm's professional judgment and risk assessment procedures for each PIC audited.