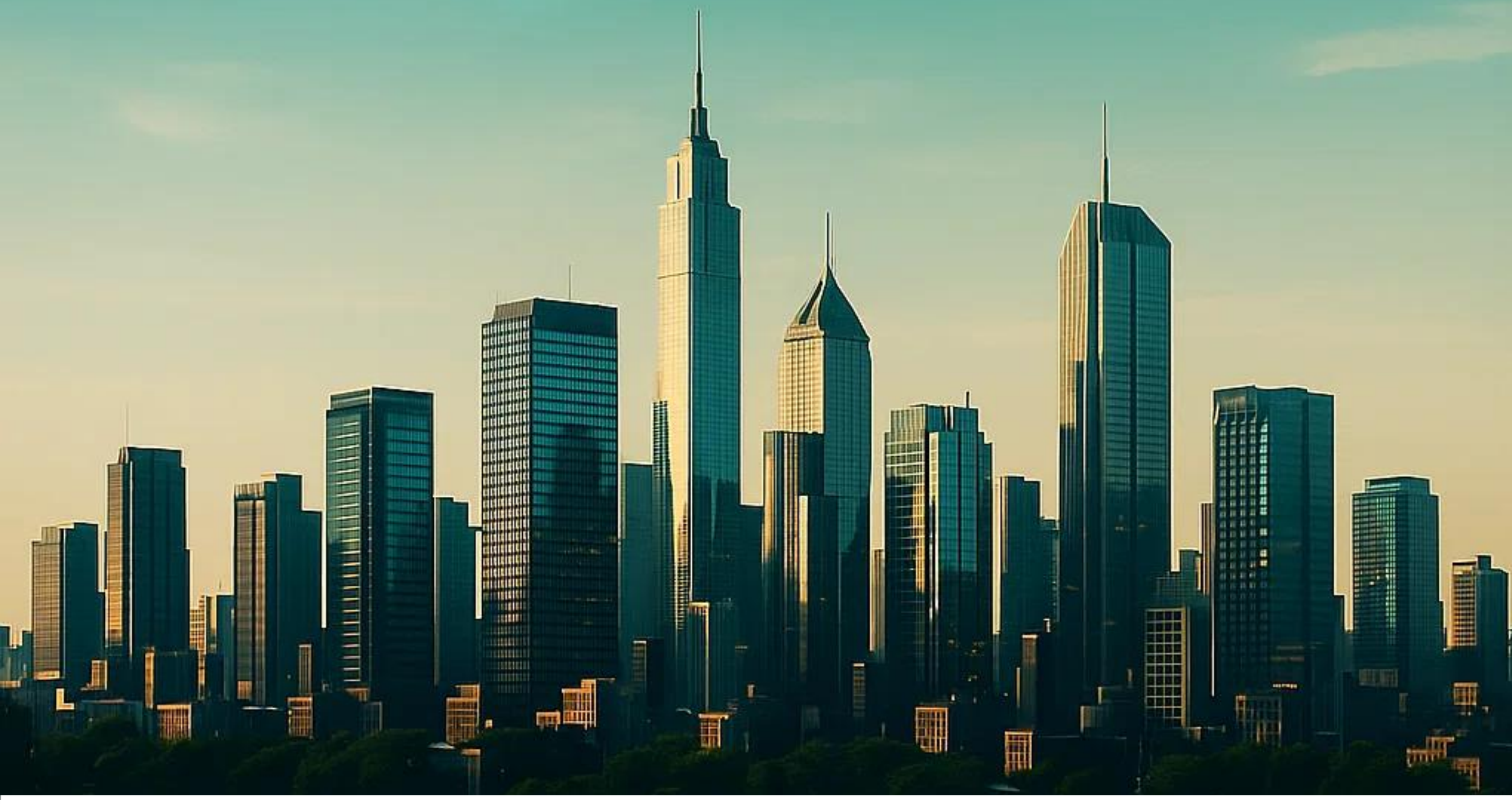
The Institute of Chartered Accountants of Pakistan

ICAP

Audit Bulletin

July-September 2025 | Issue 43



111-000-422 www.icap.org.pk icap.ca icap.pakistan icapofficial icap-ca icappakistan

UPDATES FROM AUDITING STANDARDS & ETHICS BOARD

1. Maintenance of Register of Non-Assurance Services to Public Interest Companies

The Institute of Chartered Accountants of Pakistan (ICAP) had issued ASEB Circular 10, inviting feedback on a proposed requirement for audit firms to maintain a Register of Non-Assurance Services (NAS) provided to Public Interest Companies (PICs). The purpose of the proposed register was to enhance transparency, strengthen auditor independence, and support the effective implementation of the requirements of ISQM 1. Firms and members were requested to provide their comments on the proposal and the draft template by July 22, 2025. Circular 10 can be accessed using the link.

Subsequently, ICAP issued ASEB Circular 16, announcing that the Council of the Institute, in its 401st meeting held on September 12–13, 2025, approved the Auditing Technical Release (ATR) 21 – Maintenance of Register of Non-Assurance Services to Public Interest Companies, on the recommendation of the Audit and Ethics Standards Board (ASEB). Circular 16 can be accessed using the link.

2. Other Matter Paragraph in the Review Report

ICAP has issued ASEB Circular 11, introducing a standardized 'Other Matter' paragraph to be included in the Report on Review of Interim Financial Statements under the Auditors (Reporting Obligations) Regulation, 2018 of the SECP.

The paragraph clarifies that auditors are only required to review the cumulative figures for the half year in second quarter accounts, as mandated by Section 237(1)(b) of the Companies Act, 2017. The figures for the three-month period of the second quarter are not subject to review and must be disclosed using the prescribed wording.

The new paragraph is to be placed after the Conclusion paragraph in the review report, ensuring consistency across audit reports. Circular 11 can be accessed using the link.

3. Audit Quality Through Robust Implementation of ISQM 1 – Key Considerations For Firms Auditing Public Interest Companies

ICAP has issued ASEB Circular 13 to provide guidance on certain key aspects of ISQM 1 that are relevant for audit firms engaged in PICs audit. The circular highlights certain areas where continued focus can further strengthen SoQM and enhance audit quality.

Circular 13 can be accessed using the link.

4. IAASB Resource Material on ISSA 5000

ICAP has issued ASEB Circular 14 to inform practicing members about the resource material on ISSA 5000 published by the International Auditing and Assurance Standards Board (IAASB). The circular provides details and access to the material to support members in understanding and implementing the new sustainability assurance standard.

Circular 14 can be accessed using the link.

5. Adoption of Sustainability Assurance and Ethics Standards

ICAP has issued ASEB Circular 15 which highlights that the council of the institute in its 401st meeting held on September 12-13, 2025, has approved the adoption of following standards, on the recommendations of the Auditing Standards & Ethics Board (the Board):

- International Standard on Sustainability Assurance (ISSA) 5000 'General Requirements For Sustainability Assurance Engagements'; and
- International Ethics Standards for Sustainability Assurance (including International Independence Standard)

Circular 15 can be accessed using the link.

INTERNATIONAL DEVELOPMENT

1. IAASB Revises ISA 240 to Strengthen Auditor's Role in Fraud Detection

The International Auditing and Assurance Standards Board (IAASB) has issued a revised version of ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, aimed at enhancing public trust in audits. The revised standard addresses stakeholder concerns by clarifying auditors' responsibilities, reinforcing professional skepticism, and improving fraud-related reporting transparency.

Key enhancements include clearer auditor responsibilities regarding identification and response to fraud risks, stronger emphasis on professional skepticism throughout the audit, focused fraud risk assessment, new section on effective fraud responses and guidance for auditors on actions when fraud is identified or suspected etc. The standard will be applicable for audits of financial statements for periods beginning on or after 15 December 2026 with early adoption encouraged.

Details can be accessed using this link.

2. IESBA and IAASB Establish Expert Groups for Global Sustainability Standards Implementation

The International Ethics Standards Board for Accountants (IESBA) and the IAASB have formed two expert technical groups to support the global implementation of their newly issued sustainability standards.

IESBA's IIMAG (IESSA Implementation Monitoring Advisory Group) will assist in the implementation of the International Ethics Standards for Sustainability Assurance (IESSA) and revisions to the IESBA Code related to sustainability reporting. IAASB's TICG (ISSA 5000 Technical Implementation Contact Group) will support implementation of the International Standard on Sustainability Assurance (ISSA 5000). Details can be accessed using this link.

3. IAASB eNews – July 2025

Approved during the meeting:

- Narrow-scope amendments to ISQMs, ISAs, and ISRE 2400 (Revised) related to listed and public interest entities (effective for periods beginning on or after December 15, 2026).
- A project to revise ISRE 2410 on reviews of interim financial information.

Projects discussed during the meeting:

- Audit Evidence and Risk Response: Revisions to ISA 330, ISA 500, and ISA 520, with focus on defining audit procedures, use of prior audit evidence, and document authenticity.
- Technology and Quality Management: Launched a new workstream exploring how quality management standards apply to emerging technologies.
- ISA 500 Series: Early-stage issues identified for further exploration.
- Plans for Q3 2025.

Details can be accessed using this link.

4. IAASB Highlights Reinforcement of Professional Skepticism in Revised Standards

The IAASB has issued a new non-authoritative publication titled "How the IAASB's Revised Going Concern and Fraud Standards Reinforce Professional Skepticism." This document aims to support auditors and stakeholders in understanding how the recent revisions to ISA 570 (Revised 2024) Going Concern and ISA 240 (Revised) Fraud promote the consistent and effective application of professional skepticism throughout audit engagements. Both revised standards are effective for audits of financial statements for periods beginning on or after December 15, 2026. Details can be accessed using this link.

5. IAASB Publishes New Resources to Support ISSA 5000 Adoption and Implementation.

The IAASB has released two new following resources to further support jurisdictions and stakeholders in adopting and implementing the International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements:

- Extracts from ISSA 5000 for Limited and Reasonable Assurance Engagements
- Frequently Asked Questions (FAQ) Document on ISAE 3000 (Revised) and ISAE 3410

Details can be accessed using this link.

6. IAASB to Host New ISSA 5000 Webinar Series for Sustainability Assurance Engagements

The IAASB hosted a three-part global webinar series designed to assist sustainability assurance practitioners, firms, jurisdictional standard setters, and professional organizations as they adopt, implement, or apply International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements (ISSA 5000) Regulators, oversight bodies, and other stakeholders (e.g., preparers, those charged with governance or users of sustainability reporting) may also find these webinars helpful. Details can be accessed using this link.

7. IAASB Adopts New Publicly Traded Entity Definition Aligned with the IESBA Code of Ethics

The International Auditing and Assurance Standards Board (IAASB) has issued narrow scope amendments to its standards to align the definition of a publicly traded entity (PTE) with the IESBA Code of Ethics. The amendments affect the International Standards on Quality Management (ISQMs), International Standards on Auditing (ISAs), and ISRE 2400 (Revised).

Key changes include adopting the IESBA's PTE definition, extending related requirements in the ISQMs and ISAs, and adding new disclosure requirements in ISRE 2400 (Revised). The amendments, effective for periods beginning on or after 15 December 2026, aim to strengthen global consistency in applying independence and quality management requirements. Details can be accessed using this link.

8. IAASB 2025 Handbook Now Available

The IAASB has released the 2025 edition of its Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements. The five-volume set includes auditing, quality management, assurance, review, and related services pronouncements, as well as the new ISA for LCE and ISSA 5000. It also incorporates recently revised standards on fraud (ISA 240), going concern (ISA 570 Revised 2024), and sustainability assurance, which are not yet effective. The Handbook is available digitally and in print via the IAASB website. Details can be accessed using this link.

9. IESBA Publishes New Guidance to Support Implementation of Standards on External Experts and Sustainability Assurance

The IESBA has released two new staff publications to support the implementation of its standards effective December 2026. The first provides Q&A guidance on Using the Work of an External Expert, addressing evaluation of competence, capabilities, objectivity, and potential threats when relying on external experts. The second publication explains the proportionality of the International Ethics Standards for Sustainability Assurance (IESSA), highlighting how its ethics and independence requirements apply proportionately across entities of all sizes, particularly supporting small and medium practices. These resources are intended to aid global adoption and strengthen ethical practices in assurance engagements. Details can be accessed using this link.

Technical services department look forward to your comments and feedback and can be shared at: sheheryar.abdullah@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 ASEB.

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.