



Audit & Assurance Update Bulletin



January–March 2026 | Issue 45

Key national and international developments in auditing, assurance, and ethics standards



Prepared by the
Technical Services Department

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This bulletin summarizes key national and international developments in auditing, assurance, and ethics standards during the quarter, with links to source publications for further detail.

At a glance

- **Revised ISA 240 (Fraud) and ISA 570 (Going Concern)** issued—effective for periods beginning on or after **15 December 2026**; early adoption permitted.
- **PIC audit engagements:** directive requires planning and documenting budgeted vs. actual time for financial years beginning after **1 July 2025**.
- **Consultations open:** ISA 540 (Revised) post-implementation survey open until **15 June 2026**.

1. Updates from the Auditing Standards & Ethics Board (ASEB) — Pakistan

1.1 Revisions to ISA 240 (Fraud) and ISA 570 (Going Concern) — Circular No. 1/2026

What's new: ASEB has issued an overview of key revisions to ISA 240 and ISA 570, reflecting enhancements to auditors' responsibilities in fraud and going concern.

Effective date: Audits of financial statements for periods beginning on or after **15 December 2026**. Early adoption is permitted.

Reference: [ASEB Circular No. 1/2026](#)

Implications for audit firms: Begin assessing methodology, training needs, and documentation updates required to implement the revised fraud and going concern requirements, particularly for engagements likely to early adopt ahead of the 15 December 2026 effective date.

1.2 Audit report format for audits of Associations of Persons (AOPs) — Circular No. 2/2026

What's new: ASEB has clarified that the auditor's report for audits of AOPs should be prepared in accordance with **ISA 700 (Revised)** (Forming an Opinion and Reporting on Financial Statements).

Reference: [ASEB Circular No. 2/2026](#)

Implications for audit firms: Update AOP reporting templates and engagement checklists to align with ISA 700 (Revised), and ensure teams apply consistent report structure, headings, and opinion wording for AOP audits.

1.3 Draft format of independent auditor's report for mutual funds — Circular No. 3/2026

What's new: ASEB has invited members' feedback on the proposed draft format of the independent auditor's report for mutual funds.

Reference: [ASEB Circular No. 3/2026](#)

Implications for audit firms: Review the draft format against current mutual fund reporting practices, identify expected template changes (e.g., other information, regulatory reporting), and consider providing practical feedback before finalization.

1.4 Draft legal confirmation format — Circular No. 4/2026

What's new: ASEB has circulated a draft legal confirmation format and invited members' comments.

Reference: [ASEB Circular No. 4/2026](#)

Implications for audit firms: Consider whether the proposed legal confirmation wording supports sufficient and appropriate audit evidence for litigation and claims, and align internal legal letter request processes to the final format once issued.

1.5 Draft guidance on professional valuer reports (fair valuation) — Circular No. 5/2026

What's new: ASEB has issued a draft guidance document on using professional valuer reports for fair valuation in financial reporting and invited members' feedback.

Reference: [ASEB Circular No. 5/2026](#)

Implications for audit firms: Reassess how valuation specialists' reports are evaluated and documented in audit files, including expectations for scope, assumptions, and competence/objectivity considerations, to support fair value conclusions.

1.6 Directive on time estimation & documentation for PIC audit engagements — Circular No. 6/2026

What's new: ASEB has issued a directive requiring audit firms to plan, document, and review budgeted versus actual time for audits of Public Interest Companies (PICs), to support appropriate resourcing and compliance with quality management requirements.

Effective date: Applicable to PIC audit engagements for financial years beginning after 1 July 2025.

Reference: [ASEB Circular No. 6/2026](#)

Implications for audit firms: Strengthen time budgeting and tracking for PIC engagements, including partner-level review of variances and resourcing decisions, so engagement documentation demonstrates adequate staffing and quality-focused planning.

2. International developments

2.1 IAASB amendments aligned with IESBA requirements on using external experts

What's new: The IAASB has issued narrow-scope amendments to reflect IESBA's ethical requirements for using the work of external experts in audit, assurance, and non-assurance engagements.

Affected standards:

- ISA 620, Using the Work of an Auditor's Expert
- ISRE 2400 (Revised), Engagements to Review Historical Financial Statements
- ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information
- ISRS 4400 (Revised), Agreed-upon Procedures Engagements

Reference: [IAASB announcement \(January 5, 2026\)](#)

Implications for audit firms: Revisit policies and engagement documentation where external experts are used (selection, contracting, confidentiality, objectivity considerations, and evaluation of work) to ensure ethical and auditing requirements are applied consistently across service lines.

2.2 IAASB approach to maintaining the ISA for LCE

What's new: The IAASB has issued an Approach Statement setting out how it will maintain and update the ISA for audits of less complex entities (ISA for LCE), emphasizing transparency, consistent execution, and proportionate alignment with the core ISAs.

Reference: [IAASB announcement \(January 7, 2026\)](#)

Implications for audit firms: For portfolios serving less complex entities, anticipate periodic updates to the ISA for LCE and plan for controlled rollouts (methodology mapping, staff training, and consistent documentation) as revisions are issued.

2.3 IAASB eNews (January 2026)

What's new: The January 2026 IAASB eNews highlights outcomes from the December 2025 meeting, the Board's continued focus on technology, plans for Q1 2026, and key dates for the quarter.

Reference: [IAASB eNews \(January 12, 2026\)](#)

Implications for audit firms: Use the quarterly highlights to monitor upcoming consultations and implementation support, and cascade relevant technology and standards developments into internal technical updates and training calendars.

2.4 IESBA Snapshot: firm culture and governance

What's new: IESBA's Snapshot provides a concise overview of its Firm Culture and Governance project, which aims to support a strong ethical culture across accounting firms and recognizes that ethical failures often stem from cultural and governance weaknesses.

Reference: [IESBA Snapshot \(January 12, 2026\)](#)

Implications for audit firms: Consider whether firm governance, incentives, and tone-from-the-top initiatives align with emerging expectations on ethical culture, and whether additional documentation or monitoring is needed within the firm's quality management system.

2.5 Technology & quality management: IAASB roundtable feedback published

What's new: The IAASB has published a summary of feedback from its 2025 global roundtables on Technology Quality Management, exploring how emerging technologies (including AI) affect engagements and the application of IAASB quality management standards.

Key points: Stakeholders emphasized governance and risk management expectations for trustworthy use of AI tools. Feedback supports that **ISQM 1** and **ISA 220 (Revised)** provide a strong foundation, while additional non-authoritative guidance could assist consistent application.

Reference: [IAASB announcement \(February 10, 2026\)](#)

Implications for audit firms: Evaluate whether AI and other emerging technologies used in engagements are covered by firm policies, governance, and monitoring, and confirm that engagement-level direction, supervision, and review address technology-related risks under ISQM 1 and ISA 220 (Revised).

2.6 Post-implementation review of ISA 540 (Revised): public consultation survey

What's new: The IAASB has launched a public consultation survey as part of its post-implementation review of ISA 540 (Revised) (effective for periods beginning on or after 15 December 2019).

Focus areas:

- Overall views on ISA 540 (Revised), including implementation guidance and tools
- Perceived benefits from applying the standard
- Observed issues, challenges, or impacts

Deadline: Open until **15 June 2026**. Responses are public.

Reference: [IAASB announcement \(February 17, 2026\)](#)

Implications for audit firms: Capture internal implementation experience on ISA 540 (Revised)—particularly in complex estimates—to inform any response to the consultation and to refine firm guidance, coaching, and file documentation expectations.

2.7 IESBA global surveys on the evolving role of CFOs

What's new: IESBA has launched global surveys to gather input on the evolving role of CFOs (and equivalent senior finance leaders), associated ethical challenges, and whether the IESBA Code remains clear and fit-for-purpose.

Focus areas:

- How the CFO role is evolving and the ethical challenges involved
- How effectively the IESBA Code supports ethical responsibilities and expectations
- Involvement of CFOs who are not members of a professional accountancy organization (PAO)
- Possible IESBA actions (e.g., Code enhancements, guidance, or other resources)

Deadline: Open until **24 April 2026**.

Reference: [IESBA announcement \(February 5, 2026\)](#)

Implications for audit firms: Anticipate potential ethics and independence-related guidance affecting finance leadership roles within clients and within firms, and consider whether internal training and consultation protocols adequately address CFO-related ethical pressure points.

2.8 Professional skepticism: “The Skeptic’s Pause” (IAASB video)

What's new: The IAASB has released a short video highlighting that professional skepticism is a continuous mindset throughout the audit. The video encourages auditors to pause and reassess whether evidence is sufficiently persuasive, higher-risk areas are appropriately addressed, and potential bias has been considered.

Reference: [IAASB video \(March 4, 2026\)](#)

Implications for audit firms: Reinforce practical skepticism behaviors in coaching and file review—especially in fraud risk and estimates—by embedding “pause points” in planning, execution, and completion checklists.

2.9 IESBA firm culture & governance update series

What's new: IESBA has launched a multi-part update series as part of its Firm Culture and Governance project, sharing global insights and engagement activities to inform a baseline, principles-based approach to ethical culture and governance in firms.

Reference: [IESBA announcement \(March 6, 2026\)](#)

Implications for audit firms: Track the update series for practical examples that may translate into future expectations; consider performing a gap assessment of culture and governance practices against the emerging themes to support proactive improvements.

2.10 IESBA–IAASB analysis: linkages between ISQM 1 and firm culture & governance viewpoints

What’s new: IESBA, in coordination with the IAASB, has published an analysis connecting its Firm Culture and Governance viewpoints with ISQM 1, clarifying how the two are complementary (with ISQM 1 focused on firm-level quality management systems, and the viewpoints providing higher-level guidance on embedding ethical culture).

Reference: [IESBA announcement \(March 30, 2026\)](#)

Implications for audit firms: Use the analysis to align ethics, independence, and quality management messaging internally, ensuring culture/governance initiatives are connected to (and evidenced through) the firm’s ISQM 1 quality management system.

Comments & feedback

The Technical Services Department welcomes your comments and feedback. Please share them at: sheheryar.abdullah@icap.org.pk

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