The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN

HEAD OFFICE

ICAP/QAD/000029/50115/Circular-01/2018

February 9, 2018

ALL PRACTICING FIRMS / MEMBERS OF THE INSTITUTE

Audit Oversight Board (Operations) Regulations, 2018

Dear Member,

In August 2016 amendments were made in the SECP Act 1997 (The Act) and Audit Oversight Board (AOB) was established by inserting part IXC through SECP (Amendment) Act, 2016.

Pursuant to section 36Z of the Act, the AOB has made Audit Oversight Board (Operations) Regulations, 2018 (the Regulations) which have been notified through S.R.O 62(I)/2018 dated January 18, 2018.

A copy of the Regulations is enclosed for your information and necessary action and it may also be downloaded from the following link:

https://www.icap.org.pk/wp-content/uploads/QA/circular/circular-01-2018.pdf

Yours truly,

Shahid Hussain, FCA
Senior Director Quality Assurance

Statutory Notification (S.R.O)

GOVERNMENT OF PAKISTAN

AUDIT OVERSIGHT BOARD

NOTIFICATION

Islamabad, 18 *January 2018*

S.R.O. 62(I)/2018 In exercise of the powers conferred by section 36Z of the Securities and Exchange Commission of Pakistan Act (XLII of 1997), Audit Oversight Board, hereby makes the following regulations, namely:-

AUDIT OVERSIGHT BOARD (OPERATIONS) REGULATIONS, 2018

1. Short title and commencement. –

(1) These regulations may be called Audit Oversight Board (Operations) Regulations, 2018.

(2) They shall come into force at once.

2. Definitions.-

(1) In these regulations, unless there is anything repugnant in the subject or context,-

(a) "**Act**" means the Securities and Exchange Commission of Pakistan, Act (XLII of 1997);

(b) "**Chairman**" means the chairman of AOB;

(c) "**Certificate of Registration**" means a certificate of registration as per Schedule 5 issued by AOB to an audit firm pursuant to regulation 4 of these regulations;

(d) "**Commission**" means the Securities and Exchange Commission of Pakistan;

(e) **"Fee"** means a fee specified under these regulations;

(f) **"Form"** means a form specified by these regulations to be used for the matter to which it relates;

(g) **"Letter of Recommendation"** means the letter of recommendation issued by QAB for the purposes of regulation 4 and shall be deemed to be a Form under these regulations;

(h) "**QCR**" shall have the same meaning as attributed to it in the QCRF.

(i) "**QCRF**" means a Quality Control Review Framework adopted by the Institute, as approved by AOB for the purposes of Quality Control Review;

(j) "**QCR Rating**" means rating issued by the QAB under QCRF to an audit firm after the conduct of QCR.

(k) "**Register**" means the register of audit firms maintained by AOB as per Schedule 1 of these regulations;

(l) "**Section**" means a section of the Act;

(m) **"Schedule"** means a schedule to these regulations; and

(n) "**State Bank of Pakistan**" means the State Bank of Pakistan established under the State Bank of Pakistan Act 1956 (XXXII).

(2) Other words and expressions used but not defined herein shall have the same meanings as are assigned to them in Section 36H.

3. Quality Control and Systemic Review:-

(1) AOB may at any time, require the Institute to adopt auditing standards and QCRF as issued or approved by AOB or require the alteration or modification of the existing auditing standards and QCRF.

(2) AOB may at any time and at least once in two years commencing from the date of the implementation of these regulations, carry out a systemic review of QAB work, the auditing standards and QCRF adopted by the Institute in such manner as it deems fit, including the appointment of consultants to carry out the aforesaid review and to

provide a report of the review to AOB. AOB shall share the relevant parts of the report with the Institute and require the Institute to make such changes in the auditing standards and QCRF as stipulated by AOB within the time specified by AOB, which may be extended at the discretion of AOB. AOB may make the report or parts thereof public.

4. Register of Audit Firms.-

(1) AOB shall maintain or cause to maintain at its head office the Register. The Register shall be maintained in physical or electronic form as deemed appropriate by AOB.

(2) An audit firm which carries out or intends to carry out an audit of a public interest company, shall register itself with AOB in the following manner;

(a) An audit firm shall apply to QAB for its recommendation to be registered with the AOB by submitting to QAB an application as per Form A specified in Schedule 2.

(b) Within fifteen days of receiving the recommendation of QAB, an audit firm shall submit to the head office of AOB certified true copies of Form A and the accompanying Letter of Recommendation, together with the specified Fee set out in Schedule 3 in order to obtain registration under the Act. The Letter of Recommendation shall be in accordance with Form set out in Schedule 4 hereto.

(c) On the basis of the certified true copies of Form A and the Letter of Recommendation, AOB shall issue a Certificate of Registration to an audit firm which shall entitle the audit firm during the currency of the AOB Certificate of Registration to audit public interest companies. A Certificate of Registration shall be valid for a maximum period of up to two and a half years from the date of its issuance unless it is earlier cancelled upon deregistration of an audit firm.

(d) If a document is found defective as specified in sub regulation 5 of this regulation, AOB may require an audit firm to rectify the defect or file a revised document within the period specified.

(3) Audit firms having satisfactory rating from the QAB on the date of commencement of the Act shall be deemed to be registered with the AOB. Such audit firms shall nevertheless follow the procedure for registration with AOB as set out in sub regulation (2) of this regulation. The Certificate of Registration issued to such audit firms shall be deemed to be effective from the date of commencement of the Act for the remaining period of the satisfactory QCR rating, after expiry of which an audit firm may apply for a renewal under sub regulation (4) of this regulation.

(4) An audit firm shall apply to AOB for renewal of Certificate of Registration by submitting certified copies of a new Letter of Recommendation and an amended Form A, if there has been any change in the particulars of Form A. The process for renewal of a Certificate of Registration should be commenced at least three months prior to the expiry of the current Certificate of Registration.

(5) A document submitted under these regulations shall only be accepted for registration, filing or record by AOB if such document is complete and is free of any defect, error or omission.

(6) When the AOB registers or de registers an audit firm, it shall give immediate notice to the Institute, the Commission and the State Bank of Pakistan and shall place a notice of such registration and de-registration, as the case may be, for a minimum period of 180 days on its website.

(7) Upon acceptance by AOB of Form A and a Letter of Recommendation, AOB shall enter the specified particulars of the audit firm in the Register and issue a Certificate of Registration under AOB's common seal

(8) If subsequent to the registration of an audit firm, the information in a Form A changes in any respect, the audit firm shall send within fifteen (15) days of the occurrence of such change, a revised Form A to QAB and obtain a new Letter of Recommendation and thereafter submit certified copies of the revised Form A and the Letter of Recommendation to AOB within ten (10) days of receiving the new Letter of Recommendation. AOB shall, upon receipt of revised Form A and the Letter of Recommendation amend the particulars of the said audit firm in the Register. AOB shall charge a Fee as specified in Schedule 3 for accepting a revised Form A and altering the particulars in the Register.

(9) Failure to pay the relevant Fee along with the submission of Form A shall be treated as if no Form A had been tendered.

(10) The Register shall be open for inspection by the members of the public during business hours at the head office of AOB in the presence of an officer of AOB and subject to such reasonable

restrictions, as AOB may impose so that not less than two hours on each business day may be allowed upon payment of the Fee specified in Schedule 3.

(11) AOB may, impose such conditions as it deems necessary at the time of registration of an audit firm. An audit firm shall comply with the conditions imposed in the manner specified by AOB. If an audit firm contravenes or fails to comply with any condition so imposed, then AOB may de register such audit firm.

(12) AOB may from time to time amend the conditions imposed under these regulations, which it deems necessary in the public interest.

5. Specified Fee-.

(1) The Fee payable by audit firms and public interest companies under these regulations are set out in Schedule 3.

(2) The Fee shall be paid to AOB by pay order or credit to AOB account or online transfers. The Fee payable under these regulations is non-refundable.

(3) Failure to pay the specified Fee along with the submission of the relevant documents under these regulations shall be treated as if no document had been submitted.

6. De-Registration of Audit Firm

(1) AOB may on its own motion, or on the recommendation of QAB, de-register an audit firm and strike off its name from the Register and cancel its Certificate of Registration. AOB shall provide a prior written notice of fifteen (15) days to the concerned audit firm with reasons specified therein for the proposed de-registration and an opportunity to be heard. If the audit firm fails to satisfy AOB that it should not be de-registered within the time specified by AOB, then AOB shall de-register the audit firm. Provided that the criteria for de-registration by AOB on its own motion will be governed in accordance with the criteria laid down in the QCRF.

(2) AOB may take into consideration the capacity, competence, independence, business conduct and financial integrity of an audit firm and also whether an audit firm has had any enforcement action taken or sanction imposed by the AOB or had any form of disciplinary proceedings or actions taken by the Commission, State Bank of Pakistan or the Institute, when taking a decision on whether to de-register an audit firm.

7. **Inspections.-**

(1) AOB may by notice in writing, conduct an inspection of the records of QAB in respect of an audit firm registered under the Act. Provided that if AOB is not satisfied with the work of QAB, it may directly inspect the records of an audit firm and a public interest company. In connection with an inspection, AOB may require QAB or an officer thereof, or an audit firm or any officer thereof or a public interest company or an officer thereof to furnish it with such information as it may require during the course of an enquiry or inspection and for the purposes thereof, within such time and verified in such manner as it may require.

(2) AOB may institute or cause to be instituted such enquiry in respect of any matter as may be necessary to ensure compliance with and to pass an order under the Act.

(3) AOB may require by notice in writing an officer of QAB, or an officer of an audit firm, or an officer of a public interest company to appear before it or before an officer or person authorised by AOB ("Authorised Person") or produce such record and documents as are required by AOB or the Authorised Person.

(4) Every person referred to under sub regulation (3) of this regulation;

(a) shall be bound to answer all questions put to him and state the truth; and
(b) may be asked to make a statement of the facts which shall be reduced into writing and signed by him or affixed with his signature or thumb print.

(5) AOB or an Authorised Person may require anyone, for the purposes of an inspection or enquiry;

(a) to produce before AOB or the Authorised Person, and to allow to be examined and kept, any books, accounts, working papers or other documents in the custody or under the control of such person, being documents relating to any matter the examination of which may be considered necessary for concluding of the inspection or enquiry by AOB or the Authorised Person;

(b) to furnish such information and documents in his possession relating to any matter as may be necessary for the purpose of the nquiry or inspection; and

(c) to provide written explanations in regard to the documents or transactions and or questions raised by the Authorised Person.

(6) AOB, or an Authorised Person may inspect and make copies or take extracts from, and where necessary take possession of documents and records necessary to carry out an inspection or enquiry.

(7) Any person who, without reasonable excuse, fails to comply with a requirement imposed on him by AOB or an Authorised Person under this regulation shall be liable to action and consequences under Section 36CC of the Act.

(8) A person who destroys, falsifies, conceals or disposes of or causes or permits the destruction, falsification, concealment or disposal of any document, which he knows or ought to know is relevant to an inspection or enquiry under these regulations shall be liable to action and consequences under Section 36CC of the Act.

(9) A complaint to AOB shall only be entertained if it is in writing, properly addressed to AOB, containing contact details of and signed by the complainant and written in Urdu or English. A complaint, which is not signed or the complainant is not traceable or if the complaint is deemed to be frivolous, then AOB in its discretion shall be entitled to reject the same.

(10) An inspection report shall be placed before the AOB and depending on the conclusions of the inspection report as set out in the said report, AOB may either take action against the relevant audit firm and other persons under the Act, or may take not take any action.

(11) In case AOB is not satisfied with the work of QAB it may assess:

(a) the degree of compliance with the auditing standards and QCRF by an audit firm;

(b) the sufficiency and appropriateness of the audit evidence obtained in relation to the audit report prepared by an audit firm relating to the audited financial statements of a public interest company or statements of a public interest company; or

(c) any other scope, determined by AOB.

8. **Redressal of Grievance:-** If any audit firm or other person has any grievance against a decision of the AOB it may file a complaint with the Chairman. The Chairman shall constitute a committee from amongst the members AOB and such other persons as the Chairman may select, with the Chairman acting as the head of the committee to consider the complaint and the decision of such committee in such matter shall be final.

9. **Legal proceedings.-** AOB may initiate or institute or cause to be initiated or instituted any prosecution or other legal proceedings or defend or conduct or cause to be defended or conducted any prosecution or other legal proceedings under the Act.

10. **Amendment:-** AOB may from to time amend these regulations, the Forms, the Fee, and the Schedules hereto.

11. **Severability:-** If any provision of these regulations or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of these regulations which can be given effect without the invalid provision or application, and to this end the provisions of these regulations are severable. In lieu thereof there shall be added a provision as similar in terms to such illegal, invalid and unenforceable provision as may be possible and be legal, valid and enforceable.

12. **Removal of Difficulty:-** If any doubt or difficulty arises in the implementation of these regulations, the same shall be placed before the AOB and the decision of the AOB shall be final and AOB may issue guidelines where deemed necessary, from time to time, to ensure compliance with these regulations.

13. **Notices.—**

(1) Unless otherwise specified, any notice required to be sent to or served on any person by AOB pursuant to the Act or regulations, may be;

(a) delivered personally at the last known address of the person; or
(b) left at or sent to the person by courier to the last known address; or
(c) sent to the person by facsimile or, with the consent of that person, by electronic mail; or
(d) in case of a company or a body corporate at the last known registered address.

(2) Where AOB has taken all reasonable steps to give notice to the person but has been unable to give such notice or in AOB's opinion there is doubt that it has been able to give such notice, it shall publish the same in at least one national daily news paper circulated:

(a) in case of an undertaking being a company or body corporate, in the province where the registered office is situated;
(b) in any other case, in the province where the notice has been served under sub regulation (1) above.

(3) Where these regulations allow or require notice to be given to a person, such notice shall be treated as if it had been received by or served on that person;

(a) in the case of personal delivery, on the day of delivery;

(b) when left at the last known address, on the day of leaving;

(c) when sent by courier, on the working day after the day on which it was couriered; or

(d) in the case of a facsimile transmitted on a working day before 5 p.m., on that day or in any other case on the working day after the day on which it is transmitted.

(4) Where sub-regulation (2) applies, the notice shall be treated as having been given on the date of its publication.

(5) Any notice given under these regulations shall be in writing.

Secretary.

SCHEDULE 1

Form of Register of Audit Firms

(Regulation 4 of The Audit Oversight Board (Operations) Regulations 2018)

Details of firms:

Sr. No.	Name of Firm	NTN	Address Postal: ____ Email: ___ Web: ..... Phone: ____ Fax: _____	Addresses of branches located in Pakistan, if any	Particulars of changes, if any	Principal Contact Person	Information about International Associations, Affiliations of the firm and registration details with any foreign audit regulator, if any	Date of Registration and valid till	De-registration History	List of audit clients which are PICs* (Attach list if required.)	
										Incorporation /Registration ID	Name of PIC

* PIC clients for which firm prepared audit reports during the two preceding calendar years.

SCHEDULE 2

FORM A
PART A

(Regulation 4 of The Audit Oversight Board (Operations) Regulations 2018)

Details of Sole Proprietor/Auditing Partners:

Sr. No.	Name(s) of Auditing Partners	CNIC	ICAP Registration number	Date of Enrolment	Type of membership (FCA or ACA)	Father's Name	Other honorary positions, directorships or other representative positions, if any	Reprimand History for the last 7 years	Penal History for the last 7 years	List of audit clients which are PICs* (Attach list if required)	
										Incorporation /Registration ID	Name of PIC

PART B

Details of firm:

Name of the firm	NTN	Address Postal: ___ Email: __ Web: ___ Phone: ___ Fax: ___	Addresses of all branches, if any	Particulars of changes, if any	Principal Contact Person	Information about International Associations, Affiliations of the firm and registration details with any foreign audit regulator, if any	List of audit clients which are PICs* (Attach list if required)	
							Incorporation/ Registration ID	Name of PIC

* PIC clients for which firm prepared audit reports during the two preceding calendar years.

Declaration: The above information in Part A and B is updated, correct and true to the best of my knowledge and belief and it is being submitted after due authorization.

Managing / authorized partner's name:
Signature & firm's stamp: Date:

SCHEDULE 3

Tables of Fees under the Audit Oversight Board (Operations) Regulations 2018

Registration of Audit Firms		Fee (Rs.)
Fee per sole proprietor/auditing partner		15,000
Renewal of Audit Firms		
Fee per sole proprietor/ auditing partner		15,000
Filing prescribed Form A		
Fee per Form		1,000
Examination/Inspection of Register		
Fee per examination/inspection		1,000
Change in Particulars of Form A		
Fee per change		1,000
Annual Supervision fee for Public Interest Companies		
I Annual supervision fee for listed companies		
A. Public Interest Companies with paid-up capital over Rs.10billion		500,000
B. Public Interest Companies with paid-up capital over Rs.5billion and up to Rs.10billion		400,000
C. Public Interest Companies with paid-up capital over Rs.3billion and up to Rs.5billion		200,000
D. Public Interest Companies with paid-up capital over Rs.1billion and up to Rs.3billion		100,000
E. Public Interest Companies with paid-up capital less than Rs.1billion		50,000
II Annual supervision fee for other Public Interest Companies		
F. Other Public Interest Companies		35,000

SCHEDULE 4

Form of Letter of Recommendation under Audit Oversight Board (Operations) Regulations 2018

Date:

To,

Audit Oversight Board

Ref: Regulation 4 of the Audit Oversight Board (Operations) Regulations, 2018.
Subject: [name of audit firm /sole proprietor]

Dear Sirs,

Pursuant to regulation 4 of the Audit Oversight Board (Operations) Regulations, 2018 ("Regulations") we confirm having received from the above captioned audit firm / sole proprietor, the original Form A and having reviewed the same, we confirm that Form A and the particulars stated therein are in order. Quality Assurance Board has approved the satisfactory QCR Rating which is valid till DD/MM/YYY and we hereby recommend that the Audit Oversight Board grant registration under the Regulations to [name of audit firm /sole proprietor].

Yours faithfully,

Quality Assurance Board

The Institute of Chartered Accountants of Pakistan.

SCHEDULE 5

Form of Certificate of Registration under Audit Oversight Board (Operations) Regulations, 2018

Certificate of Registration

(Pursuant to Regulation 4 of the Audit Oversight Board (Operations) Regulations, 2018)

This is to certify that M/s. _____ have been registered with Audit Oversight Board and entitled to carry out the audit of Public Interest Companies in Pakistan. This certificate is valid from the _____ day of _____ 20____ to the _____ day of _____ 20____ inclusive, and thereafter subject to renewal under the Audit Oversight Board (Operations) Regulations, 2018.

Given under the Common Seal of the Audit Oversight Board this ___ day of _____20_____.

Chairman _____

Secretary_____ **Registration number_____**