



**The Institute of  
Chartered Accountants  
of Pakistan**

**CA  
PAKISTAN**

**HEAD OFFICE**

ICAP/QAD/000029/79604/Circular-02/2020

October 29, 2020

**ALL MEMBERS OF THE INSTITUTE**

**QUALITY ASSURANCE BOARD REPORT 2020**

Dear Member,

We are pleased to enclose the Report of Quality Assurance Board (QAB) 2020.

The beginning of current year witnessed the entire world being critically affected by the unprecedented COVID-19 pandemic. This has severely impacted every facet of life be it social, psychological or economical. Our world is in the midst of an economic crises where business and trade have suffered losses, the magnitude of which may not be easily ascertained.

In reaction to the prevalent situation, virtual meetings of the QAB were held, with a strong focus on continuing the process of ensuring highest quality standards in the assurance services being provided by Chartered Accountant firms.

The report provides an overview of the QCR program and QAB activities during the period from July 01, 2019 to June 30, 2020, where a sizeable period fell in the ongoing pandemic. The summary of QCR observations / findings should be of particular consideration of our members, especially those involved in auditing practice, as these may assist them in redesigning their audit strategy where they recognize the situations as potentially applying to their respective circumstances. An emphasis should, therefore, be placed on identifying areas where audit quality could be improved in light of the observations presented in the accompanying report.

The Report may also be downloaded from the Institute's website by accessing the following link:

<https://www.icap.org.pk/quality-assurance/qcr-documents/qab-report/>

Comments, suggestions or recommendations, if any, to improve the format or the content of the Report shall be highly appreciated.

We hope the members find the Report informative.

Yours truly,

Shahid Hussain  
Senior Director Quality Assurance

Encl. As above.

**(Established under the Chartered Accountants Ordinance, 1961 - X of 1961)**



The Institute of  
Chartered Accountants  
of Pakistan

CA  
PAKISTAN

# QUALITY ASSURANCE BOARD

## REPORT 2020



# QAB Report 2020

This Report provides a synopsis of the activities of the Quality Assurance Board (QAB) of the Institute of Chartered Accountants of Pakistan (the Institute) during the year ended June 30, 2020 towards its efforts for monitoring and enhancement of quality within the audit profession in Pakistan in accordance with the requirements of the Quality Control Review (QCR) Framework.

The report is not designed to provide assurance regarding audit firms' quality control systems or assurance work, or the quality of the auditing profession in its entirety. The focus of this report is to provide an overview of more prevalent observations reported during the year under review to help drive a broader and proactive improvement strategy in areas where it is most required.



## Disclaimer

This report has been prepared for general information only. The information in this report does not constitute professional advice and should not be acted upon without obtaining specific professional guidance.

The Institute, the Quality Assurance Board and the Quality Assurance Department accept no liability and disclaim all responsibility for the consequences of anyone acting or refraining from acting in accordance with the information contained in this report or any decision based on it.



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## SECTION 1

# Message from the Chairman Quality Assurance Board

I am pleased to present the QAB report for the period July 1, 2019 to June 30, 2020 (year ended June 30, 2020). Quality control for audits plays a critical role in enhancing the audit quality and improving the stakeholders' confidence in the services provided by practicing firms. This is achieved by ensuring that the audit engagements are conducted and the audit reports are issued in accordance with the applicable International Standards on Auditing (ISAs) and regulatory requirements, and the firm's quality control policies and procedures have been appropriately designed and effectively implemented in accordance with the requirements of 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements' (ISQC -1).

The advent of year 2020, has put the entire world at the war against a pandemic. The unprecedented COVID-19 has impacted every facet of life be it social, psychological or economical. Our world is faced with serious economic crises among other things. Business and trade have suffered losses, the magnitude of which may not be easily ascertained. It will take some time to recover from this and that too may not be sufficient.

This report intends to provide an outline of the QCR Program and the QAB's activities. A section of the report highlights the significant and frequent observations noted while conducting reviews of the firms during the year ended June 30, 2020. In the interest of transparency and confidentiality, only aggregated data, trends and issues arising from the findings are being reported. I encourage readers to focus on the underlying principles behind the reported observations to help them identify potential underlying root causes and common audit areas where audit quality requires improvement.

The overall objective of the QCR Program of the Institute is to enhance the quality of audit reports and credibility of the accountancy profession in the public interest. In line with the above, this year witnessed increased collaboration of the Institute and the Audit Oversight Board (AOB). The QAB has formed a Committee to streamline the underlying processes for the adequate and effective implementation of the QCR Framework 2019. The Committee successfully accomplished the revision of the checklists used in the review of the practicing firms.

During the period under consideration, reviews of 64 firms were concluded. The total engagements reviewed included 49% public interest entities. Moreover, during the same period practicing members of 8 firms were referred by the QAB to the Investigation Committee of the Institute.

To update and enhance knowledge of reviewers of Quality Assurance Department (QAD) a number of training workshops were conducted on International Financial Reporting Standards (IFRS). Similar workshops are being planned in the future on IFRSs and ISAs.

I would like to extend my gratitude and appreciation to all those firms and their staff who cooperated with our reviewers throughout the QCR process. I would also like to thank all members of the QAB and QAD team without whose support it would not have been possible to run our quality control program effectively and efficiently.

Farid ud Din Ahmed  
Chairman, Quality Assurance Board

## SECTION 2 Audit Oversight Board

AOB is the independent audit oversight board established by the parliament to function in the public interest and enhance the quality of audit of financial statements of public interest entities.

The oversight by AOB involves, among other things, review of the functioning of the QAB, the work performed by the QAD and the underlying processes for the effective implementation of the QCR Framework 2019. To ensure this, they perform quarterly reviews of QCR documentation.

A Committee of the QAB members has been assigned the task to critically review the QCR processes and the underlying documentation to ensure these are adequate and robust. Changes suggested by them will be incorporated after approval of the QAB. It is expected to enhance the efficiency and capacity of the QAD.



## SECTION 3 Resources Available to Practicing Members

The purpose of Quality Control is to ensure and enhance the quality of audits and the resulting audit reports issued by the firms and the credibility of accountancy profession in the country.

To align the firms with this objective, the QAB has established resources for the assistance of the practicing members.

These resources aim to develop and maintain compliance of professional standards amongst the audit firms as well as serve as a guide to effective and efficient audit documentation.

The following resources, which should be considered as an 'aide memoire', are available on the Institute's website at <https://www.icap.org.pk/quality-assurance/qcr-documents/>:

- Audit Practices Manual
- ISQC-1 Implementation Guide
- QAB Reports

It is pertinent to indicate that these resources provide non-authoritative guidance on ISAs and professional standards. It should not be considered a substitute for reading / referring the ISAs and the regulatory requirements. In conducting an audit in accordance with ISAs, the auditor is required to comply with all the ISAs as applicable in Pakistan that are relevant to the engagement along with applicable local and regulatory requirements.

**SECTION 4**

# Overview of the Results of Quality Control Reviews (QCRs)

## Introduction

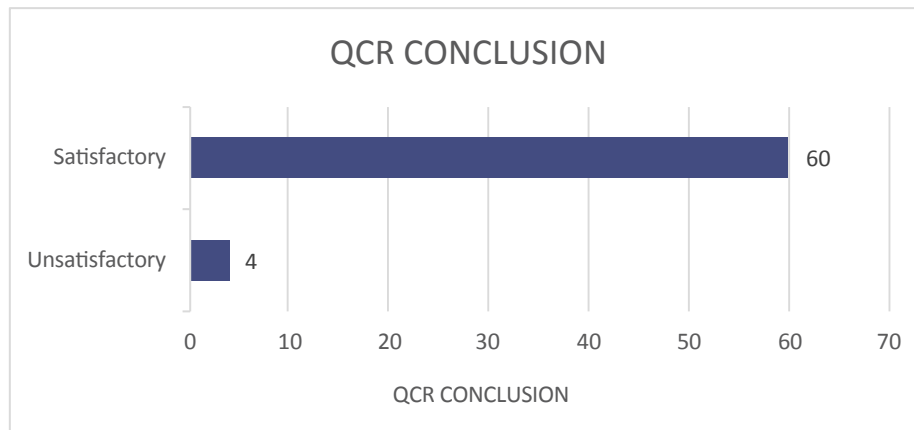
A summary of the review activities undertaken during the year ended June 30, 2020 along with a brief description of the QCR process, is reflected in this section.

## Scope of review

The QCR includes an engagement review and a review of the system of quality control within that firm. In reviewing an audit firm, all locations of the firm and at least 50% of the audit partners of that firm are selected for engagement review. The frequency of the review varies depending upon the decision of the QAB.

## Quality Control Reviews Conducted

During the year QCRs of sixty-four (64) audit firms were concluded. The reviews conducted comprised the following conclusions:



## Details of Quality Control Reviews conducted during the last three years

	2019 - 20	2018 - 19	2017 - 18
Audit firms concluded	64	22	46
Number of engagements reviewed	279	68	185
Number of locations covered	102	33	70

Out of 64 firms reviewed, 60 firms were found to be 'Satisfactory' while 4 firms were rated as 'Unsatisfactory' and hence, being new firms, QCR rating was not granted to them.

As of June 30, 2020, 128 firms were on the Institute's list of firms having a satisfactory QCR rating. The updated list of firms having a satisfactory QCR rating is available on the Institute's website.

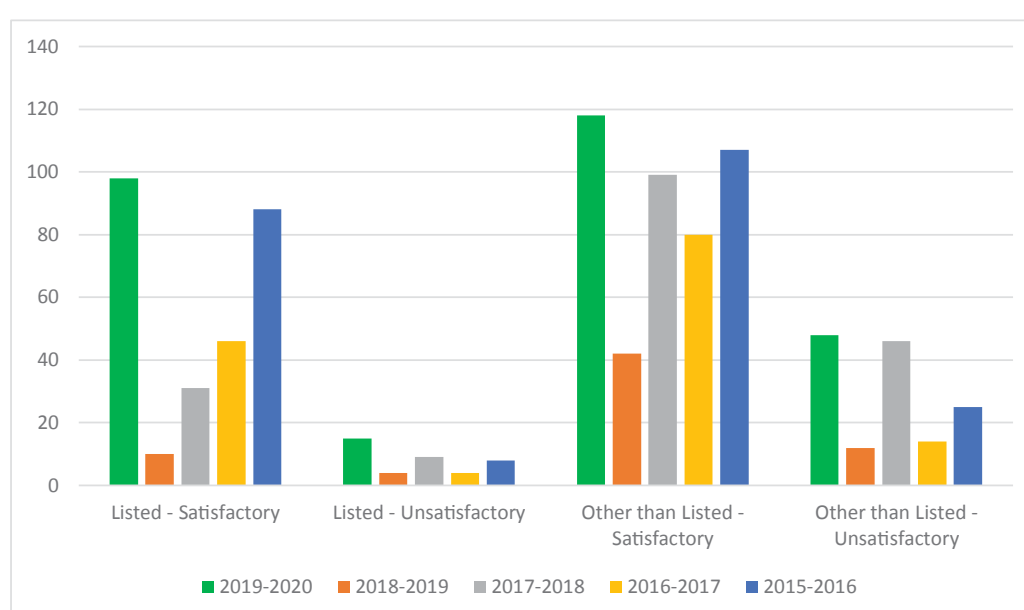
There were 24 audit firms whose QCRs were completed and their reports were presented in the subsequent meetings of the Quality Assurance Board for its approval.

During the year under review an existing firm was removed from the list of QCR Rated Firms as it did not get its files reviewed before the expiry of its QCR rating.

QCR reviews of twelve new firms were concluded. Eight firms were given 'Satisfactory' rating while four were rated as 'Unsatisfactory'.

### Summary of engagement reviews

The following chart summarizes our assessment of individual audit engagements reviewed over the last five years:



Year	Listed		Other than listed	
	Satisfactory	Unsatisfactory	Satisfactory	Unsatisfactory
2019-2020	98	15	118	48
2018-2019	10	4	42	12
2017-2018	31	9	99	46
2016-2017	46	4	80	14
2015-2016	88	8	107	25

**SECTION 5**

# Summary of Observations

## Section 5.1 – Engagement Reviews

During the year under review 279 (2019: 68) engagement reviews were conducted and reported to the QAB.

### Significant and / or frequent observations are as follows:

#### 1. Audit Report

- a) In certain cases, where qualified opinions were issued, it was not evident from the documentation as to how the auditor dispelled the expression of an adverse opinion where the matters referred to in the qualification paragraph of the auditors' report included misstatement(s) that appeared to be pervasive.
- b) Audit report did not include separate section on other information as required under "Auditors (Reporting Obligations) Regulations, 2018 and ISA 720 "The Auditor's Responsibilities Relating to Other Information".
- c) Basis for qualified opinion paragraph was ambiguous as it could not be established whether the auditor modified his opinion owing to any limitation on the scope of the audit or material misstatement in the financial statements as required under ISA 705 "Modifications to the Opinion in the Independent Auditor's Report."
- d) The auditor included an emphasis of matter paragraph or other matter paragraph to highlight their inability to obtain sufficient appropriate audit evidence instead of providing a qualified audit opinion.
- e) Instances were noted where the auditor's report was not drafted in accordance with the Auditors (Reporting Obligations) Regulations, 2018.

#### 2. Audit Planning and Risk Assessment

- a) There were instances observed where the documentation was not available regarding the conduct of the audit planning meeting and / or the attendance by key team members of the engagement team.
- b) Audit materiality was set at much higher levels in some cases considering overall financial performance and financial position of the entity and no rationale was documented while setting materiality levels. In some instances, it was also observed that benchmark and rate used for determining materiality was not documented in the audit file.
- c) Appropriate risk assessment procedures were not performed and / or understanding of the business processes and transactions and relevant controls was not obtained.
- d) Test of controls were not performed in cases where substantive procedures alone did not provide sufficient appropriate audit evidence.
- e) In some cases, it was observed that the analytical procedures at the planning stage were not adequately performed.

- f) There were instances noted where the evaluation of the risks associated with the acceptance and continuance of client relationships and specific engagements was not documented.
- g) In case of companies whose business was significantly dependent on the usage of information technology, no documentation was available in respect of general information technology controls and information technology application controls as required under ISA 315 "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment".

### 3. Audit Sampling

- a) Methodology for selection of samples was not documented in the audit file.
- b) Restricted population i.e. a specific month or two were selected for testing instead of selecting items for the sample in such a way that each sampling unit in the population had a chance of selection.
- c) Instances were noted where the audit procedures were not performed on each item selected in accordance with ISA 530 "Audit Sampling".

### 4. Journal entry testing

Documentation was not available in the audit working paper files to evidence whether the auditor had designed and performed audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements as per the requirements of ISA 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements".

### 5. Omitted liability testing

In certain cases, it was noted that the auditor did not perform Omitted Liability Testing to ensure completeness assertion i.e. "all liabilities that should have been recorded have been recorded" as required under ISA 315 "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment".

### 6. Going Concern

- a) It was noted that an adverse opinion based on ISA 570 "Going Concern" and 705 "Modifications to the Opinion in the Independent Auditor's Report" was not expressed despite auditor's conclusion that the use of going concern assumption was inappropriate.
- b) No audit documentation was available in respect of auditor's assessment of going concern risk and evaluation of appropriateness of the going concern assumption used in the preparation of financial statements as required by ISA 570.
- c) Events and conditions were identified that may cast significant doubt on an entity's ability to continue as a going concern. However, there was no audit evidence in respect of consideration of appropriateness of mitigating factors including reasonableness of assumptions used in financial projections and assessing the financial capabilities of sponsors / directors who undertook to provide financial support to the company.
- d) Instances were observed where an opinion with emphasis of matter paragraph on material uncertainty related to going concern was issued despite the fact that the financial statements lacked the disclosure(s) relating to going concern assumption and management plans to deal with such events.

- e) Disclosure of going concern in the financial statements was inappropriate as it did not disclose clearly that the company may be unable to realize its assets and discharge its liabilities in the normal course of business.
- f) The auditors' report did not include an emphasis of matter paragraph on material uncertainty related to going concern even though material uncertainty existed as at the balance sheet date and was disclosed in the financial statements.

## 7. Related Parties

- a) Few cases were observed where the management's assertion that the related party transaction(s) were conducted at arms' length basis were not substantiated by appropriate audit evidence as required by ISA 550 "Related Parties."
- b) In certain cases, related party relationships and transactions were not disclosed in accordance with IAS 24 "Related Party Disclosures".

## 8. Inventory and Stores & Spares

- a) Instances were noted where neither any evidence was available in respect of observing physical count of inventory and / or stores and spares as at year end nor any alternate audit procedure was documented in this regard.
- b) Stock count differences were noted by audit team, however, sufficient appropriate audit evidence was not available in the audit file with respect to their resolution.
- c) No audit evidence was available for verification of valuation of stock in trade and stores and spares including their net realizable value.
- d) No evidence was documented in respect of cut off testing on inventory and stores and spares.

## 9. Cash

Few instances were noted, whereby, neither any audit evidence was available in respect of observing cash count as at year-end nor any alternate audit procedure was documented.

## 10. Revenue

- a) Revenue recognition was not classified as significant risk in accordance with ISA 240 and accordingly no audit documentation was available for assessing design and implementation of controls with respect to revenue recognition.
- b) With respect to revenue transactions generated and recorded electronically, it was observed that no audit documentation was available for review of controls over revenue recognition and to assess the accuracy of system generated reports used for its verification.
- c) There were instances where the company was engaged in provision of taxable goods or services but sales tax was not charged as required under applicable laws and the effect of said non-compliance was not considered on the financial statements and/or the audit report.
- d) No evidence was documented in respect of cut off testing on revenue.

**11. Opening balance verification**

Instances were noted where no evidence of work done was available on opening balances as required under ISA 510 “Initial Audit Engagements—Opening Balances”, even though it was the first year of engagement of the audit firm.

**12. Confirmations**

- a) No evidence of direct dispatch and receipt of confirmations in respect of debtors, creditors and banks.
- b) Appropriate documentation was not available with respect to alternate audit procedures where confirmation requests were not responded.

**13. Recoverability of receivables and other financial assets**

Assessment of the recoverability of receivables and other financial assets was not available in the working paper files even where counter parties were facing severe going concern and cash flow crises.

**14. Impairment**

In certain cases, it was observed that no documentation was available for assessment of impairment of tangible and intangible assets in accordance with applicable financial reporting framework.

**15. Zakat Deduction**

Documentation relating to deduction and deposit of zakat under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) on dividend was not available.

**16. Management representation letter**

- a) Instances were noted where the management representation letter did not contain all the representations in accordance with the applicable ISAs.
- b) The management representation letter was dated after the date of the auditors’ report.

**17. Audit Documentation**

- a) It was observed that the firm’s working paper files ignored the requirements of ISA 230 ‘Audit Documentation’ in respect of documenting the characteristics of specific items tested and date of completion of work and review of work and who completed and reviewed the said work.
- b) Audit evidence in respect of verification of material balances was dated after the date of audit report.
- c) The engagement teams maintained some audit documentation in soft form which was not referred to in the hard copy audit file and presented when demanded by the reviewers.

**18. Retirement benefits**

- a) The company did not provide for retirement benefits in accordance with the requirement of Industrial and Commercial Employment (Standing Orders), 1968. The auditor also did not consider impact of non-provisioning on the audit opinion.

- b) Retirement benefit was determined only for permanent employees whereas definition of worker also includes temporary employees who have been in employment for more than six months.
- c) Provision for gratuity was determined as product of last drawn salary and number of years of service instead of actuarial assumptions as required under IAS 19 "Employee Benefits".
- d) There was no evidence of testing completeness and accuracy of underlying source data provided for actuarial valuation and evaluation of the competence, capabilities and objectivity of the expert and appropriateness of expert's work as required under ISA 500 "Audit Evidence".

## 19. Financial liabilities

- a) Interest free long term loans from related parties were not measured at amortized cost in accordance with the applicable financial reporting framework and Accounting Technical Release TR-32 "Directors' Loan".
- b) Loans were classified as long term but the borrower did not have an unconditional right to defer settlement of the liability for at least twelve months as required under paragraph 69 of IAS 1 "Presentation of Financial Statements".
- c) Financial liabilities were de-recognized from the financial statements without fulfillment of the criteria for its de-recognition as provided in IAS 39 "Financial Instruments: Recognition and Measurement".

## 20. Income tax

- a) Deferred tax liability was not recognized and no documentation was available in the audit file regarding its non-recognition.
- b) Deferred tax liability was recognized on surplus on revaluation of land.
- c) Non recognition of deferred tax expense and the related liability against an investment in associate recorded under the equity method.
- d) Temporary differences were not apportioned between tax chargeable under normal tax and final tax regimes.
- e) No audit evidence was available in support of tax bases of assets and liabilities.
- f) No documentation, including future projections, were available as to how the engagement team considered appropriate, the justification for the recognition of the material deferred tax asset.
- g) The company recognized minimum tax paid as advance tax instead of recording it as deferred tax asset if the management considered it recoverable in future.
- h) Appropriate documentation was not available with respect to verification of advance tax on unsold inventory.

## 21. Workers' Profit Participation Fund (WPPF) and Workers' Welfare Fund (WWF)

Instances were noted where WPPF and/or WWF were not recognized by the company in accordance with applicable laws and no rationale was documented in the audit file for such non-recognition.



## 22. Investment

- a) In a few cases the auditor did not make an assessment in respect of classification of the investment as "Associate", "Subsidiary" or a "Joint Venture" as required by the applicable financial reporting framework. Resultantly, they were not accounted for in accordance with the applicable financial reporting framework.
- b) Instances were observed where investments in associate(s) were not accounted for under equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures".
- c) The company had long term investment in a subsidiary but consolidated financial statements were not prepared as required under IFRS 10 "Consolidated Financial Statements" and Section 228 of Companies Act, 2017.

## 23. Property, plant and equipment

- a) Revaluation of property, plant and equipment carried under revaluation model was not carried out even though considerable time had elapsed since last revaluation, hence, it could not be assessed as to how reasonable assurance was obtained that revaluations were carried out with sufficient regularity so that the carrying value of property, plant and equipment was not materially different from its fair value as at the balance sheet date as required under IAS 16 "Property, Plant and Equipment".
- b) Some items of property, plant and equipment were carried under revaluation model but the entire class of property, plant and equipment to which such items belonged was not revalued as required under IAS 16.

## 24. Investment Property

- a) Land and building were being held to earn rental income but they were not classified as investment property in accordance with IAS 40 "Investment Property".
- b) In some cases, gross rental income from investment property was set-off against the expenses which were directly attributable to earn that revenue and was disclosed in the profit and loss account as one line-item.

## 25. Third statement of financial position

The companies either corrected material prior period errors or applied a change in accounting policy retrospectively or made major reclassification(s) but a third statement of financial position as at the beginning of the preceding period was not presented as required under IAS 1.

## 26. Financial Reporting Framework

Instances were noted where the financial reporting framework used by the company was not as per the requirements of Third Schedule of the Companies Act, 2017. Further, the auditor was not able to identify such deficiency.

## 27. Disclosures

Numerous instances were noted where the financial statements were found deficient in respect of the following disclosure requirements:

- a) Statement of compliance.
- b) Statement of comprehensive income (not presented when the company follows a two-statement approach).

- c) IFRS 7 "Financial Instruments: Disclosures" (categorization and financial risk management).
- d) IFRS 13 "Fair Value Measurement" (fair value hierarchy).
- e) IAS 1 "Presentation of Financial Statements" (comparative disclosures and capital management).
- f) IAS 12 "Income Taxes" (relationship between tax expense and accounting income & the deductible temporary differences for which no deferred tax asset is recognized).
- g) IAS 19 "Employee Benefits" (actuarial assumptions used, sensitivity analysis & the expected contributions for the next period).
- h) IAS 21 "The Effects of Changes in Foreign Exchange Rates" (exchange differences netted from sales).
- i) Section 11 "Basic Financial Instruments" of IFRS for SMEs (categorization & accounting policy).

## Section 5.2 – Review of the Firm's System of Quality Control

The overall quality of the audit firms was reviewed for compliance of ISQC-1 to assess whether an appropriate system of quality control has been established with respect to leadership responsibilities for quality within the firm, compliance with the relevant ethical requirements, acceptance and continuance of the client relationships and specific engagements, human resources, engagement performance and monitoring.

The QAB is of the considered view that personnel should be educated about the importance and requirements of following a system of quality control. They should also be informed that failure to adhere to the firm's policies may result in disciplinary action. Training sessions and meetings should be conducted for the existing and new staff, at least annually and quality control procedures and policies should be updated where required.

During the year under consideration, the following matters were observed in relation to the ISQC-1 reviews:

### 1. Ethical requirements

- a) Independence and confidentiality confirmations and undertaking for understanding of ISQC-1 requirements were not available.
- b) Independence register was not maintained by a few firms.

### 2. Acceptance and Continuance

- a) Firms, being non-QCR rated, accepted the audit of Large Sized Company and issued the audit report which is not in compliance with the requirements of SRO 1044/(I)/2015 dated October 22, 2015 issued by SECP.
- b) Engagement partners signed the audit report for more than 5 consecutive years for listed engagements which was not in accordance with the Code of Corporate Governance.

### 3. Human Resources

- a) It was noted that candidate / staff evaluations, interview questionnaires, annual performance evaluations and appraisals were not available for our review to demonstrate that the firm has sufficient personnel with the competence, capabilities and commitment to perform engagements.

- b) It was noted that there was no evidence of in-house or external trainings of the staff of the firm required for capacity development.

#### **4. Engagement Performance**

- a) Engagement Quality Control Review (EQCR) of the audit file was either not conducted, or was conducted ineffectively when compared with the requirements under ISQC-1 and ISA 220 "Quality Control for an Audit of Financial Statements".
- b) EQCR was conducted by the engagement partner him/herself.
- c) No evidence of review by another experienced audit team member on most of the audit working papers.
- d) Various documents were presented for review, which were not part of the audit file initially presented, which raised concerns over the effectiveness of file assembly and archival processes.

#### **5. Monitoring**

No documentation was available with regard to monitoring of system of quality control, including cyclical reviews of completed audit engagement in accordance with ISQC-1.

#### **6. Documentation and implementation of policies and procedures**

- a) Few firms reviewed did not have policies and procedures with respect to EQCR(s) and complaints & allegations.
- b) Except for certain checklists on client acceptance and independence, there was no document to evidence that the firm has established and maintained a system of quality control to address various elements of ISQC-1.
- c) Policies and procedures in respect of firm's system of quality control were available, but there was no evidence of implementation of such policies in the working paper files.

*The information contained in this section is not intended to set out how an audit firm should structure its audit working paper files, policies and practices as there is no 'one-size-fits-all' approach. Audit practitioners are encouraged to seek guidance from the observations summarized in this report in light of their own facts and circumstances.*

## SECTION 6 The Quality Control Review Process

The step-wise review process undertaken by the Quality Assurance Department in discharging its responsibilities in terms of reviewing the engagements is as follows:

**Step 1 –** Obtain list of audit engagements from the audit firms.

**Step 2 –** Review the list for completeness.

**Step 3 –** Selection of audit engagements for QCR on a risk-based and sector specific engagement criteria.

**Step 4 –** Visiting the firm's premises for QCR.

**Step 5 –** Commence review of the selected engagements and the firm's control environment.

**Step 6 –** Observations noted by the reviewer and engagement partner's comments are recorded on the Review Finding Form.

**Step 7 –** The draft QCR report is prepared and sent to the Firm for comments.

**Step 8 –** The draft QCR report, after incorporation of firm's comments, if any, is presented to the QAB for its consideration.

### **Step 9 – Conclusion**

- The Final QCR report is issued to the firm, after approval by the QAB, with either of the following conclusions:
  - i) Satisfactory
  - ii) Satisfactory with improvements
  - iii) Unsatisfactory
- In addition, where deficiencies are noted in the engagement review of certain partner(s) of the audit firm, any one or more of the following actions may be taken:
  - i) requiring such partner(s) to undergo additional training or Continuing Professional Development (CPD) activities as recommended by QAB.
  - ii) arranging for a fresh engagement review of such partner(s) after the period as deemed appropriate by QAB.
  - iii) referring to the Investigation Committee of the Institute if the firm fails to implement the Action Plan submitted at the time of earlier review.

## SECTION 7

# Composition of the Quality Assurance Board (QAB)

The Quality Assurance Board (QAB) is an independent body composed of the nominees from the Securities and Exchange Commission of Pakistan (SECP), the State Bank of Pakistan (SBP), Pakistan Stock Exchange (PSX) and the Institute of Chartered Accountants of Pakistan (the Institute). It oversees the functions of the Quality Assurance Department of the Institute. Brief profile of the members of the Quality Assurance Board is given below:

**i) Mr. Farid ud Din Ahmed (Chairman)**

Mr. Farid ud Din Ahmed is a fellow member of the Institute of Chartered Accountants of Pakistan with over 35 years' professional experience in audit and consulting assignments for the private as well as the public sector. He has held the position of Partner in Charge – KPMG Lahore.

**ii) Mr. Hasan A. Bilgrami \*\***

Mr. Hasan A Bilgrami is CEO of a biotechnology startup as well as a technology consulting company with operations in Australia and Pakistan. Earlier in his career he worked as Banker where his last position was founding CEO of BankIslami Pakistan Limited. He is a fellow member of ICMAP, where he was President between 2009-2011. He is also member of CPA Australia.

**iii) Mr. Masood Karim Shaikh \***

Mr. Masood Karim Shaikh is a fellow member of the Institute of Chartered Accountants of Pakistan with over 30 years of senior level experience in financial sector in Pakistan. He retired in 2017 as SEVP and Group Chief, International Banking Group at National Bank of Pakistan. He was managing their International Operations in 18 countries in Far East, Central Asia, Middle East, Europe and Americas.

**iv) Mr. Ayaz Ahmed**

Mr. Ahmed is a Chartered Accountant with over 20 years of vast experience. He also served as the Chief Financial Officer of a large commercial bank.

**v) Mr. Mohammad Almas**

Mr. Almas is a fellow member of the Institute of Chartered Accountants of Pakistan with over 37 years of practicing experience and is a partner in M. Almas & Co., Chartered Accountants.

**vi) Syed Ahmed Abid Esq.**

Mr. Abid is a fellow member of the Institute of Chartered Accountants of Pakistan with a vast experience of over 40 years. He worked as Chief Financial Officer in a petroleum sector listed company and also worked as a Financial Advisor/Consultant for the Ministry of Petroleum and Natural Resources, Government of Pakistan.

**vii) Mr. Abdul Samad**

Mr. Abdul Samad is a fellow member of the Institute of Chartered Accountants of Pakistan with over 20 years of Capital Market experience. He is currently serving as the Chief Operating Officer of Central Depository Company of Pakistan Limited.

**viii) Mr. Zulfikar Ali Causer**

Mr. Zulfikar Causer is a fellow member of the Institute of Chartered Accountants of Pakistan qualified. He is also a member of the Institute of Chartered Accountants of Ontario and the Canadian Institute of Chartered Accountants.

Mr. Causer is a practicing Chartered Accountant with experience of over 12 years. He is a partner in BDO Ebrahim & Co., Chartered Accountants.

**ix) Mr. Muhammad Ashraf Bawany \*\*\***

Mr. Bawany is a fellow member of Institute of Cost and Management Accountants of Pakistan (ICMAP) and Institute of Corporate Secretaries of Pakistan (ICSP). He is currently holding the position of President at Ghani Global Group of companies and also serving as a Director in Pakistan Stock Exchange, National Clearing Company of Pakistan Limited and Central Depository Company of Pakistan Limited. He was also a former President of ICMAP.

**x) Mr. Teizoon Kisat**

Mr. Kisat is a fellow member of the Institute of Chartered Accountants of Pakistan, with a vast experience of over 30 years. He has served as President and Chief Executive Officer of a microfinance bank and was also associated with the leasing sector for about 15 years.

**xi) Mr. Rashid Ibrahim**

Mr. Rashid Ibrahim is a fellow member of the Institute of Chartered Accountants of Pakistan with over 30 years of professional experience of Accounts, Strategic & Corporate Finance, Audit, Taxation and related matters at national and international level.

He was a former Partner of A.F. Ferguson & Co., a member firm of PwC network. He has been a member of World Bank team for doing business surveys for Pakistan. He was a former Vice President of ICAP and a council member.

\* Mr. Rashid Ibrahim was nominated to the Board by the SECP on July 19, 2019.

\*\* Mr. Hasan A. Bilgrami and Mr. Masood Karim Shaikh were nominated to the Board by the SBP on October 25, 2019.

\*\*\* Mr. Muhammad Ashraf Bawany was nominated to the Board by the PSX on November 13, 2019.

**SECTION 8**

## Attendance in Quality Assurance Board Meetings

During the year 2019 - 20, the Board held eleven meetings.

MEMBERS	MEETINGS ATTENDED
Mr. Farid ud Din Ahmed – Chairman	11
Mr. Hasan A. Bilgrami	3
Mr. Masood Karim Shaikh	3
Mr. Ayaz Ahmed	8
Mr. Mohammad Almas	11
Syed Ahmed Abid Esq.	7
Mr. Abdul Samad	4
Mr. Zulfikar Ali Causer	9
Mr. Muhammad Ashraf Bawany	1
Mr. Teizoon Kisat	5
Mr. Rashid Ibrahim	10

## SECTION 9

## Composition of the Quality Assurance Department (QAD)

The quality control reviews are carried out by Chartered Accountants employed on a full time basis by the ICAP. As of June 30, 2020, the Quality Assurance Department comprised of the following personnel:

S. No.	Name	Designation
i)	Shahid Hussain	Senior Director
ii)	Reza Ali	Director
iii)	Syed Ajlal Hyder	Deputy Director
iv)	Muhammad Asad Iqbal	Senior Manager
v)	Muhammad Fahad Parvaiz	Senior Manager
vi)	Muhammad Owais Mukati	Senior Manager
vii)	Khurram Tahir Shaikh	Manager
viii)	Aemon Khan	Manager
ix)	Muhammad Waqas Shahid	Manager
x)	Mahmood Ahmad	Manager
xi)	Hammad Javed	Senior Officer
xii)	Chandan Kumar	Officer

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