ICAP

2025-26

Year ended 30 June 2026



Quality Assurance Board

ANNUAL REPORT 2026

Stewarding audit quality through rigorous, risk-informed review

Contents

Annual Report for the year ended 30 June 2026

01 **Message from the Chairperson** 3

02 **Overview of QCR results** 6
QCR conclusions 7
Other outcomes under the QCR Framework 8

03 **Observation profile** 9
IFRS and quality-management profile 10
ISA profile 11
Laws, regulations and recurring themes 12

04 **Significant and recurring observations** 14
Planning and risk assessment 15
Audit materiality and evaluation of misstatements 16
Acceptance, quality and engagement terms 17
Audit evidence and documentation 19
Industry-specific audit considerations 21
Recognition and measurement 22
Presentation and disclosure 24
Legal and regulatory compliance 25

05 **Quality Control Review process** 27

06 **Composition of the Quality Assurance Board** 29
Board transition and subsequent appointments 31

07 **Meetings and attendance** 33

08 **Senior management of QAD** 34

09 **Quality Assurance Department** 35

REPORTING BASIS

QCR results and conclusion data are presented for the year ended 30 June 2026. The observation analysis covers the 1,298 observations classified for the year. Each observation is counted once in one primary domain; secondary references are retained in QAD's underlying records.

Observation counts are a measure of recorded findings — not a count of firms or engagements, not a prevalence rate, and not a substitute for the QAB conclusion reached after due process. Comparisons should therefore be made with care.

01 Message from the Chairperson

Quality Assurance Board



Kauser Safdar, FCA
Chairperson, Quality Assurance Board

It is my privilege to present the Annual Report of the Quality Assurance Board (QAB) for the year ended 30 June 2026. The audit profession is navigating an increasingly complex environment, marked by evolving stakeholder expectations, intensified regulatory oversight and rapid technological and business change. Against this backdrop, delivering consistent and sustainable audit quality remains a fundamental professional obligation and a responsibility shared by all participants across the profession.

Reflections from the Year

Our experience during the year provided valuable insights into the practices that support consistently high-quality audits. These fundamentals remain central to audit quality, even as business models, reporting requirements and audit methodologies become increasingly complex and technology-driven. The reviews highlighted the following:

- the continuing importance of sound risk assessment,
- a clear linkage between identified risks and audit responses,
- reliable audit evidence,
- well-reasoned professional judgments and
- a thorough evaluation of financial-reporting implications.

The year's experience also reaffirmed that audit quality must be embedded throughout the engagement lifecycle. A technically appropriate audit opinion must be supported by a robust evidential record, just as extensive documentation must reflect an audit strategy that addresses the risks that genuinely matter. Sustainable quality is achieved when client acceptance, planning, execution, review, consultation and reporting operate as an integrated and mutually reinforcing process. The observations arising from the review process should, therefore, be viewed not merely as individual findings, but as opportunities for collective learning and continuous improvement across the profession.

From Reflection to Action: Insights for Audit Firms

The lessons emerging from the year's reviews offer practical considerations for firms seeking to strengthen audit quality.

Embedding Quality Management in Practice

Firms are encouraged to ensure that the transition from traditional quality-control policies to systems of quality management is evident in their day-to-day operations and decision-making.

Understanding and Addressing Root Causes

Root-cause analysis is most effective when it looks beyond the immediate finding and identifies the behavioural, capacity, methodology or governance factors that allowed the matter to arise. Remedial actions can then address those underlying factors and be subsequently assessed to determine whether they have achieved the intended outcomes.

Strengthening Review and Leadership Oversight

The reviews highlighted the value of timely, objective and complete engagement quality reviews. Monitoring results should also inform leadership decisions concerning resources, client acceptance, consultation and partner accountability.

- **Supporting an Effective Review Process**
  A satisfactory review outcome is supported not only by the quality demonstrated in the audit files selected for review, but also by timely renewal, transparent engagement with the Quality Assurance Department and the provision of complete and reliable information.

Taken together, these practices can help firms embed quality management within their operations and sustain it over time.

Strengthening QAB and QAD's Own Capabilities

The Board recognises that the expectations placed on audit firms must be matched by a continuing commitment to strengthen the quality assurance programme. During the year, QAB and QAD focused on addressing ageing reviews, improving pipeline monitoring and supporting timely review completion, while maintaining technical rigour and due process. Retaining QAD's core professional team also preserved continuity and valuable institutional knowledge.

As firms increasingly adopt technology-enabled audit methodologies, QAD must evolve alongside the profession it reviews. The Board is therefore strengthening QAD's capabilities through greater automation, improved regulatory and UDIN reconciliation, and management dashboards for earlier identification of delays, capacity constraints and emerging risks. Technology will support stronger audit trails and evidence-based decisions while remaining an enabler of, not a substitute for, professional judgment.

Regulatory Liaison and Alignment

Effective coordination with ICAP, the Audit Oversight Board (AOB), the Securities and Exchange Commission of Pakistan (SECP) and other stakeholders remains essential to advancing audit quality. Our collaboration with the AOB remained strong and constructive throughout the year, supporting alignment with regulatory priorities within our respective mandates and reinforcing our shared commitment to audit quality in the public interest. Continued liaison will remain important as the profession responds to evolving standards, emerging risks and the increasing use of technology in audit.

International Collaboration and Learning

Engagement with peer institutions, including the UK Financial Reporting Council, the Saudi Organization for Chartered and Professional Accountants and CA Maldives, has provided valuable exposure to established regulatory practices and emerging areas of focus. These insights support the continued refinement of our review methodology in a manner appropriate to Pakistan's legal and professional environment.

The Board remains committed to relationships that translate into meaningful improvements in review practice. Knowledge-sharing, joint training and, where feasible, secondments and observation of peer inspections can strengthen reviewer capabilities, broaden professional experience and support the development of QAD's specialist team.

Looking Ahead

I extend my appreciation to the members of QAB, the Council and management of ICAP, our QAD colleagues and the firms that engaged constructively with the review process during the year.

Looking ahead, we expect continued improvement across both audit practice and the quality assurance process. Firms must continue to invest in capable people, devote sufficient time to engagements, challenge weak or inconsistent evidence, consult early on complex matters and assess whether remedial actions are achieving their intended outcomes. Equally, QAB and QAD must continue to strengthen review methodologies, enhance reviewer capabilities and respond effectively to emerging risks, evolving standards and technological change.

Durable audit quality depends on openness to learning, a willingness to improve and a shared commitment to the public interest. Through sustained effort on both sides, the profession can continue to strengthen the confidence placed in it.

Kauser Safdar, FCA
Chairperson, Quality Assurance Board



“

Durable audit quality depends on openness to learning, a willingness to improve and a shared commitment to the public interest.

Kauser Safdar, FCA
Chairperson, Quality Assurance Board

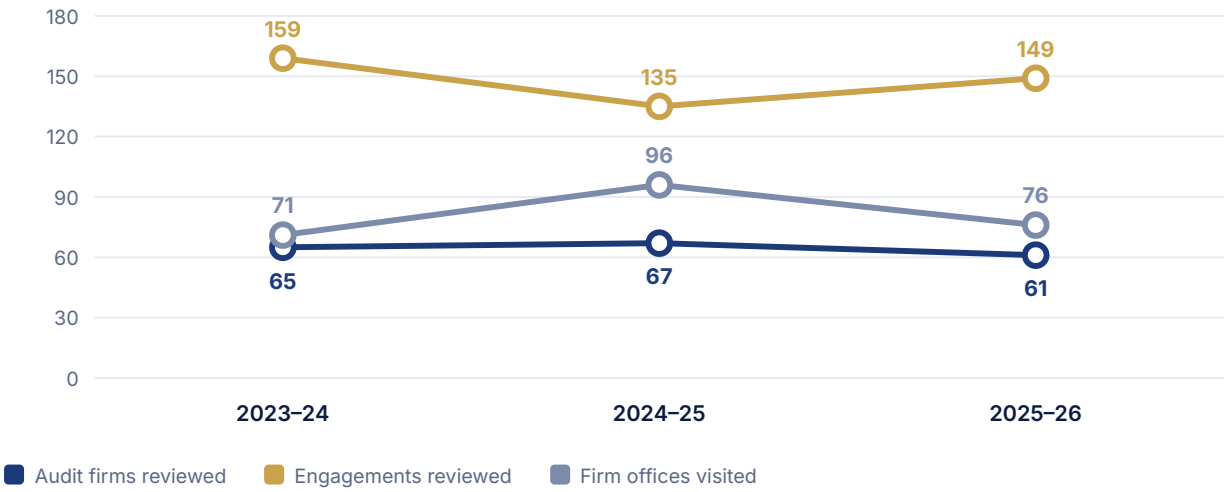
02 Overview of QCR results

Review activity, scope and geographical coverage

A QCR encompasses selected audit engagements and the firm's system of quality management. Under the QCR Framework 2024, partner coverage is at least 50% for firms other than large-sized firms; large-sized firms are reviewed annually with partner coverage of at least 33%.

Particulars	2025–26	2024–25	2023–24
Audit firms reviewed	61	67	65
Audit engagements reviewed	149	135	159
Firm offices visited across Pakistan	76	96	71

Review activity remained broad and geographically distributed



ANALYTICAL READING

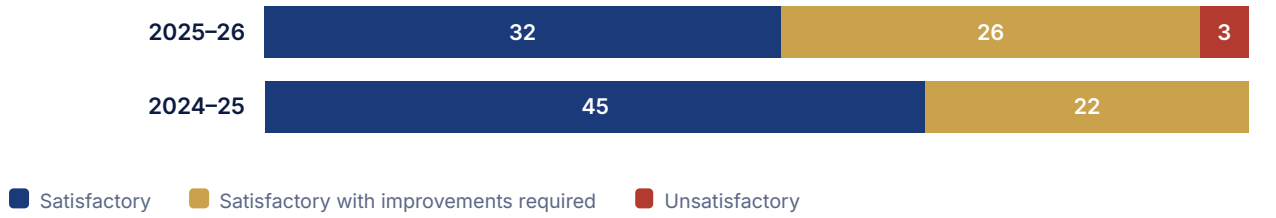
Engagement reviews increased by 10.4% from 135 to 149. The number of firms concluded decreased from 67 to 61 and office visits from 96 to 76. The mix reflects the engagements selected and reviews concluded during the year; the three measures should not be interpreted as interchangeable volume indicators.

02 QCR conclusions

Firm-level conclusions and engagement-level assessments

Category of QCR conclusion	2025–26	2024–25
Satisfactory	32	45
Satisfactory with improvements required	26	22
Unsatisfactory	3	0
Total	**61**	**67**

Satisfactory conclusions remained the majority of firm outcomes



The bars show percentage composition; segment labels show the number of firms.

Five-year engagement assessment

Year	Listed		Other than listed		Total
	Satisfactory	Unsatisfactory	Satisfactory	Unsatisfactory	
2025–26	69	0	73	7	149
2024–25	54	4	70	7	135
2023–24	97	8	49	5	159
2022–23	18	7	44	23	92
2021–22	5	14	28	21	68

For 2025–26, 142 of 149 selected engagements were assessed satisfactory/satisfactory with improvements required. All 69 listed engagements in the reviewed sample were satisfactory/satisfactory with improvements required; 7 of 80 other-than-listed engagements were assessed unsatisfactory. These results relate only to engagements reviewed and do not represent an estimate for the wider audit population.

02 Other outcomes under the QCR Framework

Framework compliance and maintenance of QCR status

2

FIRMS REMOVED

following expiry of their QCR ratings and failure to arrange a fresh review within the Clause 6.3 time-frame or to meet the requirements of Clause 9.3 regarding submission of complete list of audit engagements

A satisfactory QCR rating remains subject to continuing compliance with the QCR Framework. During 2025–26, QAB considered matters affecting the maintenance of satisfactory status in addition to the conclusions arising from completed QCRs.

Framework compliance matters considered

Framework Issue	Expected Firm Response
Timely renewal of QCR status	Monitor rating expiry, nominate the firm's focal person early, arrange the review visit within the prescribed timeframe and submit any request for extension promptly in writing.
Completeness and reliability of information	Submit complete partner, office and engagement populations and reconcile the submission with UDIN and available regulatory information before it is provided to QAD.

QAB may also consider information obtained after completion of a review where material omissions or inconsistencies call into question the completeness of the engagement lists submitted to QAD or the continuing basis for satisfactory status. Any action is considered under the applicable framework, subject to the firm's due-process and appellate rights.

REPORTING TREATMENT

These framework-based outcomes are separate from, and are not included in, the 61 firm-level QCR conclusions or the analysis of 1,298 observations presented in this report.

> "Rating is presented to inform attention; it should be read with the underlying facts and the QCR conclusion, not as a mechanical score.
>
> — OBSERVATION PROFILE

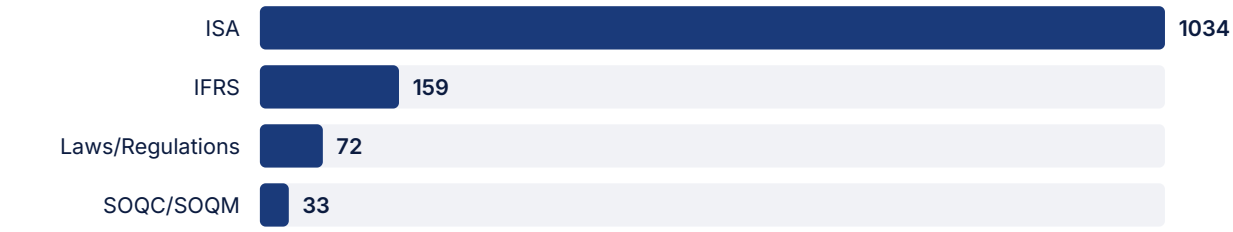
03 Observation profile

A reconciled classification of the 2025–26 observations

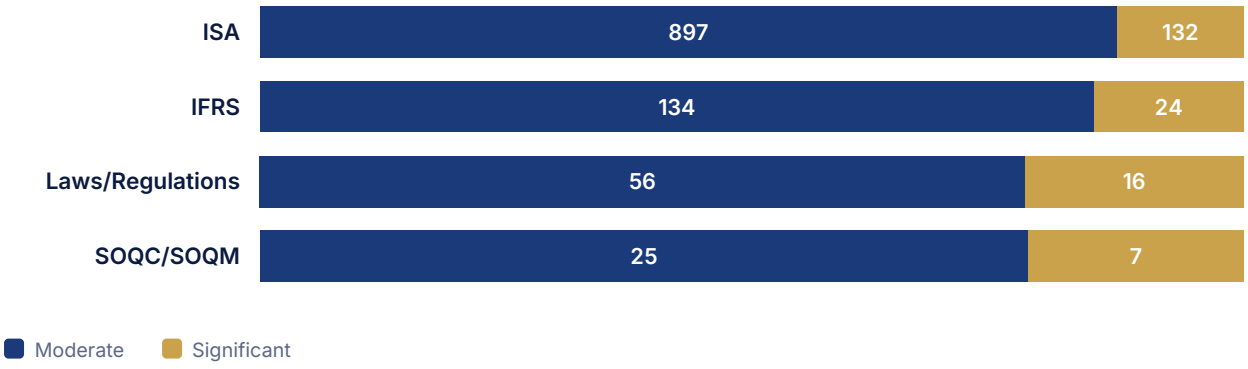
CLASSIFICATION METHOD

Each of the 1,298 observations is mapped to one mutually exclusive primary domain and one principal standard or regulation, based on the detailed finding and the authority cited. Full row-level rationale, secondary references and quality-control checks are retained by QAD.

Auditing standards account for four of every five observations



Significant ratings are concentrated, not pervasive



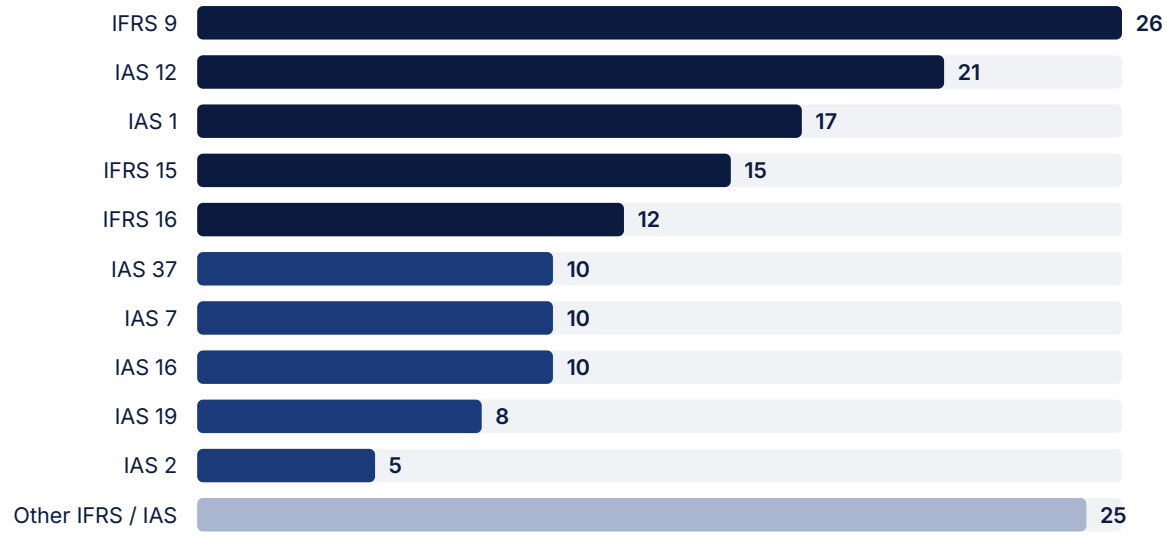
Each bar shows the severity composition within the relevant primary domain; segment labels show observation counts.

> Observation counts are a measure of recorded findings, not a substitute for the QAB conclusion reached after due process.
>
> — REPORTING BASIS

03 IFRS and quality-management profile

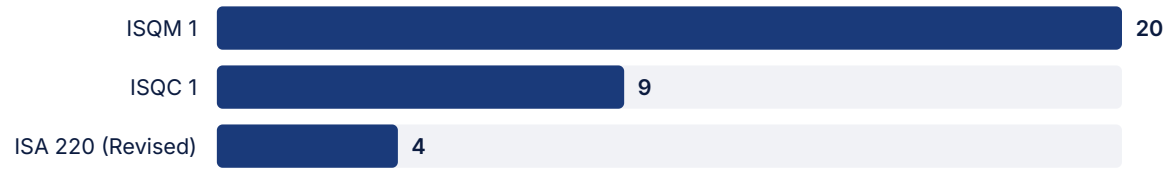
Primary-standard concentration within the classified observations

Five standards drive a majority of IFRS observations



IFRS 9, IAS 12, IAS 1, IFRS 15 and IFRS 16 together account for 91 of the 159 IFRS-primary observations (57.2%). The concentration points to recurring judgment and execution risk in financial instruments, tax, presentation, revenue and leases.

ISQM 1 dominates quality-management observations

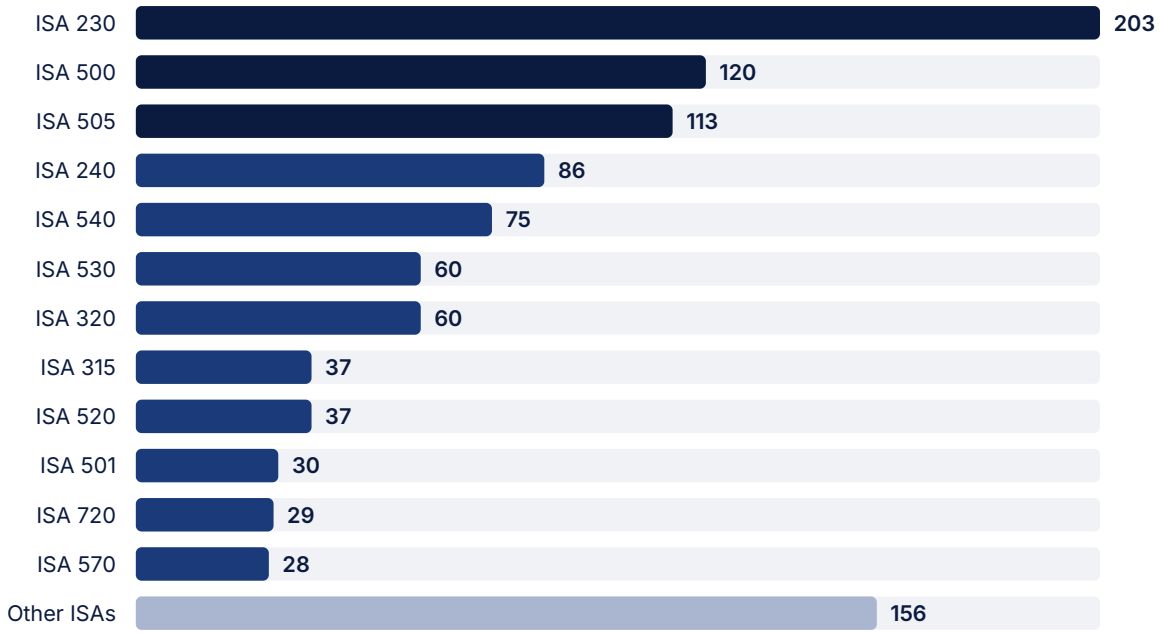


> “
>
> Fraud, estimates, sampling and materiality also feature prominently, underscoring the need for more robust judgment, population control and engagement-specific rationale.
>
> — ISA PROFILE

03 ISA profile

Documentation, evidence and confirmation remain the leading drivers

Documentation, evidence and confirmations lead ISA observations



WHAT THE CONCENTRATION MEANS

ISA 230, ISA 500 and ISA 505 account for 436 of 1,034 ISA-primary observations (42.2%) across all themes, of which 381 arise within the audit-evidence theme. This does not mean documentation is merely an administrative weakness: a file that cannot demonstrate the nature, timing, extent and result of procedures cannot establish that sufficient appropriate evidence supported the audit conclusion.

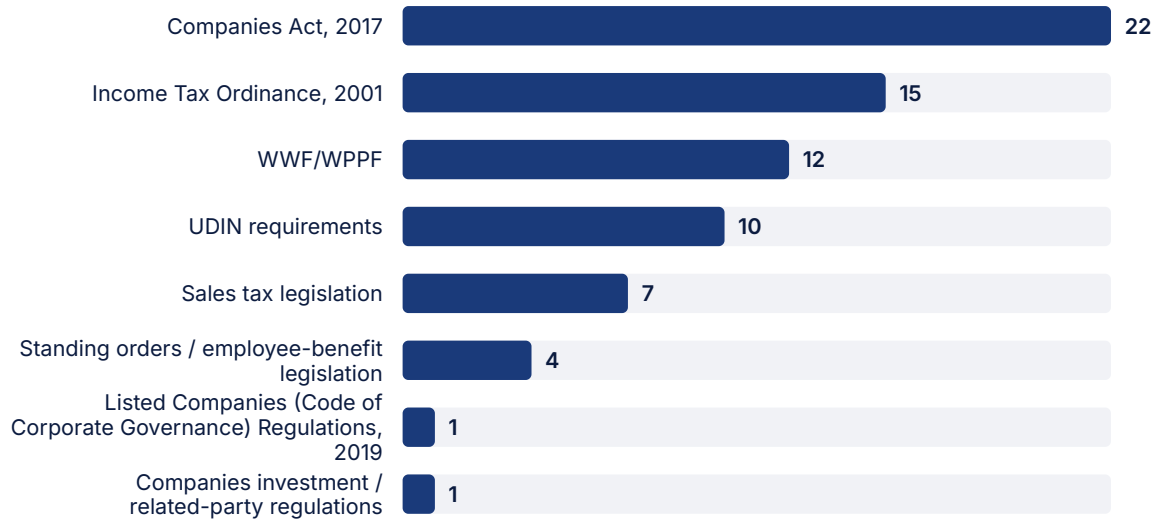
Fraud, estimates, sampling and materiality also feature prominently. Together, ISA 240, ISA 540, ISA 530 and ISA 320 account for a further 281 observations, underscoring the need for more robust judgment, population control and engagement-specific rationale.

> “
>
> The concentration points to recurring judgment and execution risk in financial instruments, tax, presentation, revenue and leases.
>
> — IFRS PROFILE

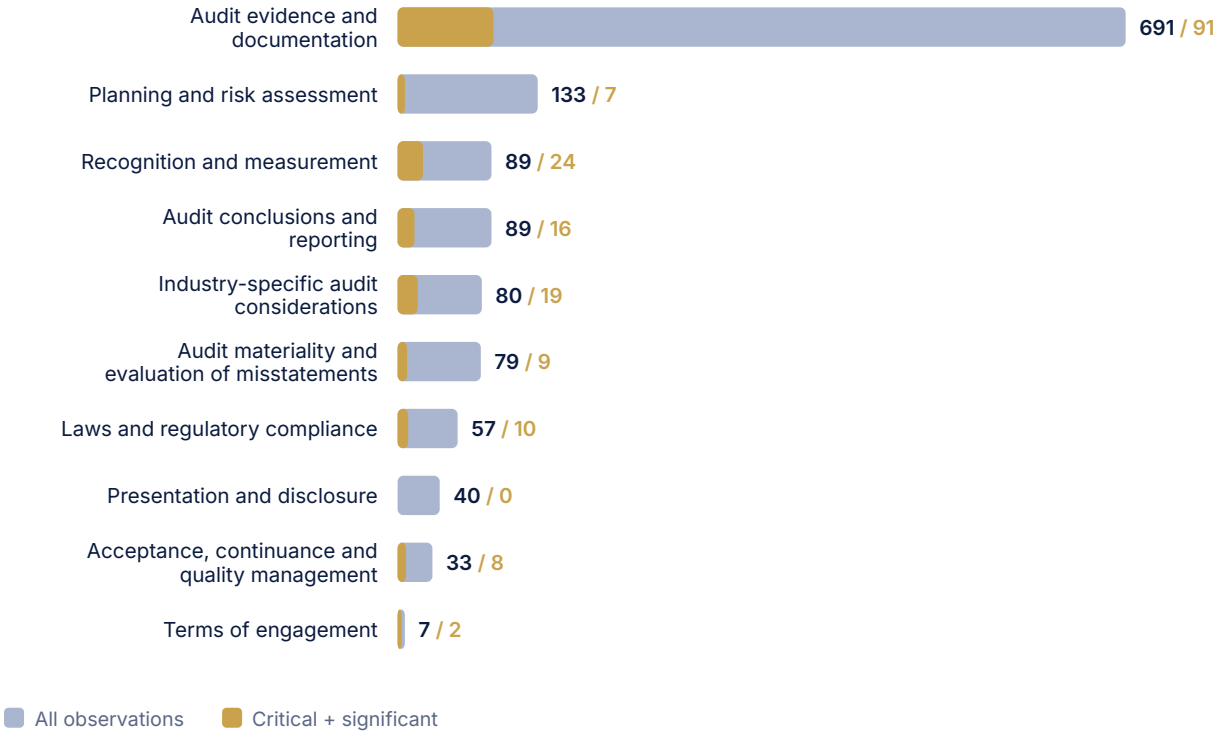
03 Laws, regulations and recurring themes

Where statutory compliance and audit execution intersect

Companies Act and tax obligations dominate statutory findings



Evidence and documentation carry the highest volume and severity



The gold segment shows critical and significant observations within each theme. Rating is presented to inform attention; it should be read with the underlying facts and the QCR conclusion, not as a mechanical score.



“

Sustainable quality is achieved when client acceptance, planning, execution, review, consultation and reporting operate as an integrated and mutually reinforcing process.

Message from the Chairperson

04 Significant and recurring observations

Themes arising from QCRs conducted during the year; references identify the principal technical requirements engaged

89	16	29
THEME OBSERVATIONS	CRITICAL + SIGNIFICANT	ISA 720 PRIMARY

Audit report — conclusions and reporting

TECHNICAL REFERENCES ISA 570, 700, 701, 705, 706, 710 and 720; Auditors (Reporting Obligations) Regulations, 2018 (as amended); ICAP Directive 4.27 (UDIN)

What the 2025–26 QCRs indicated

- **Opinion formation and modification.** Material departures from the applicable financial-reporting framework, unresolved scope limitations and other significant matters were not always carried through to the appropriate reporting consequence. In some files, the basis for an unmodified or modified opinion did not demonstrate a sufficiently clear link to the evaluated misstatement, materiality and evidence obtained.
- **Going concern reporting.** Losses, negative equity, liquidity pressure, dependence on financial support and other indicators were not always translated consistently into the auditor's report. The distinction between inadequate going-concern disclosures, a material uncertainty, an emphasis of matter and financial statements prepared on a basis other than going concern was not always applied with sufficient precision.
- **Other information.** Required responsibilities under ISA 720 were omitted from some reports, and the audit file did not always evidence an adequate reading and evaluation of the directors' report and other accompanying information. Apparent inconsistencies in production capacity, operating information or other narrative disclosures were not always investigated and resolved.
- **Report architecture and prescribed content.** Key audit matters, comparative information, emphasis-of-matter and other-matter paragraphs, engagement-partner identification and prescribed report wording were applied inconsistently in some engagements. Report dates and cross-references also require disciplined completion review.
- **UDIN integrity.** UDIN records did not always reconcile to the financial figures or other particulars in the signed auditor's report. As UDIN is a report-authentication control, differences between the portal record and the issued report require the same level of release discipline as the report itself.

Why this matters for audit quality

The auditor's report is the public expression of the engagement conclusion. A technically correct audit approach can be undermined if the final report does not faithfully reflect the evidence, the evaluation of misstatements and the applicable reporting framework. Reporting deficiencies therefore often point to weaknesses in completion-stage review, not merely drafting.

EXPECTED PRACTICE

- Use controlled, current report templates and a completion checklist that incorporates ISA reporting requirements, applicable SECP reporting regulations and UDIN requirements.
- Document the issue–materiality–opinion pathway for significant matters, including the rationale for modification, going-concern reporting, KAM, EOM or OM treatment.
- Perform a final cross-document reconciliation of the signed financial statements, auditor's report, directors' report and UDIN record before release.

PARTNER CHALLENGE

Before release, can the engagement partner demonstrate that every significant reporting decision follows from the evidence and misstatement evaluation, and that prescribed content and authentication particulars have been independently checked?

04 Planning and risk assessment

A robust audit begins with an entity-specific understanding of where a material misstatement could arise and why

133	7	83
THEME OBSERVATIONS	CRITICAL + SIGNIFICANT	ISA 240 PRIMARY

Fraud risks, journal entries and the risk-to-response linkage

TECHNICAL REFERENCES ISA 240, 300, 315 (Revised 2019), 330, 500, ISA 230

> "Risk assessment is not a planning formality. It determines where audit effort is directed.

What the 2025–26 QCRs indicated

- **Fraud risks require precise treatment.** Revenue recognition is subject to a rebuttable presumption of fraud risk; where that presumption is rebutted, the basis should be engagement-specific and documented. Management override, by contrast, is a fraud risk present in all entities and requires the procedures prescribed by ISA 240. Files did not always distinguish these concepts clearly.
- **Journal-entry testing must start with the population.** The audit file did not always evidence completeness of the journal-entry population, the rationale for risk-based selection criteria, the treatment of unusual entries or the basis for the nature, timing and extent of testing. Performing a search in the ledger is not, by itself, evidence that the population and selection logic are complete.
- **Risk assessment was sometimes generic.** Industry, IT, related-party, tax, inventory, legal and going-concern risks were not always grounded in the entity's business model, systems and transaction flows. Generic risk libraries or standard programmes were sometimes used without an adequate entity-specific risk narrative.
- **The risk-to-response linkage was not always visible.** Significant and other assessed risks were not consistently linked to relevant assertions, planned reliance on controls, substantive procedures, evidence obtained and a final conclusion. This weakened the ability of the file to demonstrate how the audit response was responsive to the assessed risk.
- **Risk assessment must remain iterative.** Planning and completion analytical procedures were sometimes mechanical, significant fluctuations were accepted without corroboration, and new information arising during fieldwork did

not always trigger a documented reassessment of risk or audit approach.

Why this matters for audit quality

Risk assessment is not a planning formality. It determines where audit effort is directed and establishes the logic that connects the auditor's understanding of the entity to the evidence ultimately obtained. Weak linkage at this stage tends to reappear later as unsupported sampling, incomplete procedures or conclusions that are difficult to defend.

EXPECTED PRACTICE

- Build a traceable risk register that links the business process and risk to the assertion, control strategy, substantive response, evidence and conclusion.
- Require an explicit fraud-risk discussion covering revenue recognition, management override and the rationale for journal-entry criteria and population-completeness procedures.
- Reassess risks when misstatements, control deficiencies, contradictory evidence or significant changes in the entity emerge during the audit.

PARTNER CHALLENGE

Can every significant risk be traced from the facts that created it to an assertion-specific audit response and final conclusion, without relying on generic methodology language?

04 Audit materiality and evaluation of misstatements

Materiality is a matter of professional judgment that shapes both audit scope and the evaluation of the financial statements

79	9	60
THEME OBSERVATIONS	CRITICAL + SIGNIFICANT	ISA 320 PRIMARY

Benchmarks, performance materiality and the misstatement record

TECHNICAL REFERENCES ISA 320 and ISA 450; ISA 230

> "Materiality affects the extent of audit work, the interpretation of exceptions and the final opinion.

What the 2025–26 QCRs indicated

- **Benchmark selection and percentage.** The rationale for the selected benchmark and percentage was not always anchored in the entity's circumstances, the information needs of users and the stability of the chosen measure. Averaging unrelated benchmarks or selecting the highest result without a persuasive basis can obscure rather than support professional judgment.
- **Normalisation requires evidence.** Where profit or another benchmark was volatile or affected by unusual items, adjustments were not always supported by a clear analysis of what was genuinely non-recurring and why the resulting benchmark better reflected user focus.
- **Performance materiality is not a mechanical haircut.** A high proportion of overall materiality was sometimes used without an engagement-specific assessment of aggregation risk, prior-period misstatements, control deficiencies, the number and nature of expected misstatements and other relevant factors.

- **Materiality must be revisited.** The file did not always show whether materiality remained appropriate when actual results, identified misstatements or other information differed materially from the circumstances anticipated at planning.
- **Misstatement evaluation needs a complete record.** Accumulated and uncorrected misstatements were not always evaluated with sufficient attention to qualitative factors, patterns of error and their combined effect on particular disclosures, ratios or regulatory requirements.

Why this matters for audit quality

Materiality affects the extent of audit work, the interpretation of exceptions and the final opinion. A decision that appears calibrated to a desired audit scope or outcome, rather than to users and aggregation risk, weakens both the audit strategy and the credibility of the final evaluation.

EXPECTED PRACTICE

- Document the primary users, chosen benchmark, normalisation adjustments and percentage, including why credible alternatives were not selected.
- Set performance materiality through an explicit aggregation-risk assessment rather than a default percentage alone.
- Maintain a complete misstatement schedule and record revisions to materiality, qualitative considerations and the final ISA 450 conclusion.

PARTNER CHALLENGE

Could the engagement partner explain every materiality decision to an informed reviewer without referring to the audit scope or result that the team wished to achieve?

04 Acceptance, quality and engagement terms

Quality starts before fieldwork and remains a condition of report release

40	10	20
COMBINED OBSERVATIONS	CRITICAL + SIGNIFICANT	ISQM 1 PRIMARY

Acceptance, continuance and engagement quality

TECHNICAL REFERENCES ISQM 1 and ISQM 2; ISA 220 and ISA 230; ICAP Code of Ethics; ISA 510 where initial-audit opening balances are relevant

What the 2025–26 QCRs indicated

- **Acceptance, continuance and professional appointment.** Documentation was sometimes completed after the engagement had effectively commenced or did not demonstrate consideration of management integrity, ethical requirements, predecessor communication, competence, time and resources.
- **Independence and resources.** Current engagement-specific independence evidence and approval of the competence, capabilities and time available to the team were not always sufficiently clear. These are engagement-quality conditions, not administrative formalities.
- **Engagement quality review.** EQR appointment and eligibility were not always fully evidenced, and some files did not show the significant judgments reviewed, discussions with the engagement team or communication that the review was complete by the auditor's report date.
- **File assembly and monitoring.** Final-file assembly was not always clearly controlled, and firm-level monitoring records did not consistently show how identified quality deficiencies were analysed for root cause, remediated

and assessed for effectiveness.

Why this matters for audit quality

Acceptance, independence, resourcing and engagement quality review are the conditions on which every subsequent audit judgment rests. Where these gates are completed after work has commenced, or are evidenced only in form, the firm cannot demonstrate that the engagement should have been accepted, that the team was independent and competent, or that significant judgments were challenged before the report was released — and the file assembled afterwards will not repair that gap.

EXPECTED PRACTICE

- Make acceptance, continuance, independence and resource approval genuine pre-commencement gates, with escalation criteria for higher-risk engagements.
- Track EQR appointment, eligibility, significant judgments and completion; separately control final-file assembly and use monitoring results to drive root-cause and remediation.

PARTNER CHALLENGE

Could the firm prevent work from commencing, or a report from being released, when an acceptance, independence, resource or engagement-quality-review gate remains incomplete?

Terms of engagement

TECHNICAL REFERENCES ISA 210; Companies Act, 2017, where applicable

What the 2025–26 QCRs indicated

- **Agreement and timing.** Engagement letters were unsigned, issued after fieldwork commenced, or did not adequately identify the reporting framework, scope, responsibilities and expected form and contents of the auditor's report.
- **Recurring engagements.** The file did not always evidence whether changed circumstances required revised terms or a reminder of the existing terms.

Why this matters for audit quality

Agreed terms establish the framework, scope and respective responsibilities against which the audit is performed and reported. Where the engagement letter is unsigned, agreed after fieldwork has begun or silent on the reporting framework, the basis of the auditor's opinion and the allocation of responsibilities between auditor and management become open to dispute, and the file cannot demonstrate that the audit was conducted on properly agreed preconditions.

EXPECTED PRACTICE

- Use a controlled ISA 210-compliant engagement letter template and obtain authorised acknowledgement of the terms before audit work begins.
- Document the annual reassessment of recurring terms and, where statutory appointment requirements apply, reconcile the letter with the underlying appointment and consent documentation.

PARTNER CHALLENGE

Could the firm demonstrate that fieldwork did not commence before an authorised engagement letter was on file, and that the terms of each recurring engagement were reassessed when circumstances changed?

04 Audit evidence and documentation

A persuasive evidence chain is the foundation of a defensible conclusion

691	91	381
THEME OBSERVATIONS	CRITICAL + SIGNIFICANT	ISA 230 / 500 / 505 WITHIN THIS THEME

Audit evidence — populations, testing and confirmations

TECHNICAL REFERENCES ISA 230, 330, 500, 501, 505, 510, 520 and 530; related requirements in ISA 240 and 550

> Audit evidence is persuasive when another experienced auditor can understand not only what the team did, but why it was sufficient for the identified risk.

What the 2025–26 QCRs indicated

- **The issue was often the evidence chain, not the volume of paper.** Files did not always show the population being addressed, the relevant assertion, why the procedure was responsive to the risk, what evidence was obtained, how exceptions were resolved and how the work supported the conclusion. A checklist or signed working paper is not a substitute for that chain.
- **Population completeness is foundational.** Journal-entry populations, receivable and payable listings, inventory records and other client-prepared schedules were sometimes used without sufficient evidence of completeness and accuracy. Where the population itself is not reliable, a well-executed sample does not resolve the underlying evidence gap.
- **External confirmations require auditor control.** Dispatch, receipt and follow-up were not consistently maintained under the auditor's control. Responses routed through management, unexplained differences, incomplete coverage and weak alternative procedures reduced the reliability of evidence over bank, receivable, payable and financing balances.
- **Sampling needs to reconcile from design to conclusion.** The calculated sample was not always reconciled to the items actually tested, the rationale for selection was unclear, population completeness was not demonstrated, or exceptions were not projected and evaluated in a manner consistent with the sampling approach.
- **Period-end completeness procedures require disciplined execution.** Opening balances, omitted-liability testing, cut-off and related period-end procedures did not always demonstrate that the relevant population, period and assertion had been fully addressed. Procedures performed too early were not always appropriately rolled forward to the reporting date.

Why this matters for audit quality

Audit evidence is persuasive when another experienced auditor can understand not only what the team did, but why it was sufficient for the identified risk. Weak population control or an unresolved exception can invalidate otherwise extensive testing and is therefore more than a documentation deficiency.

EXPECTED PRACTICE

- Require every key working paper to identify the risk/assertion, population, procedure, evidence, exceptions, conclusion and evidence of review.
- Test the accuracy and completeness of information produced by the entity before relying on it as a population or as audit evidence.
- Strengthen confirmation controls, sampling reconciliation and period-end roll-forward procedures, with explicit resolution of all significant exceptions.

PARTNER CHALLENGE

If the supporting schedules and checklists were removed from the file, would the remaining evidence still allow an experienced auditor to understand the population tested, the exceptions identified and the basis for the conclusion?

CONTINUED

Judgment-heavy areas require challenge, corroboration and a clear stand-back conclusion

Estimates, specialists, going concern and completion evidence

TECHNICAL REFERENCES ISA 500, 540, 550, 560, 570, 580 and 620; ISA 230

What the 2025–26 QCRs indicated

- **Accounting estimates.** Expected credit loss, impairment, deferred tax, employee benefits, provisions and fair-value estimates were not always challenged across the method, significant assumptions and data used by management. Contradictory evidence, estimation uncertainty and indicators of management bias were not consistently brought into the final stand-back evaluation.
- **Experts and specialists.** The audit file did not always distinguish clearly between reliance on management's expert and use of an auditor's expert. The relevant evaluation of competence, capabilities and objectivity, the appropriateness of the expert's work and the engagement team's own responsibility for the conclusion were not always evidenced.
- **Related parties and legal matters.** Evidence over related-party relationships and transactions, unusual terms, business rationale, legal disputes and contingencies was sometimes incomplete or insufficiently reconciled to management's disclosures and representations.
- **Going concern.** The auditor's work did not always demonstrate a robust evaluation of management's assessment, forecast assumptions, available financing, support arrangements, sensitivity to reasonably possible changes and events arising up to the auditor's report date.
- **Subsequent events and written representations.** Completion procedures were sometimes performed too early, and written representations were missing, incomplete or not appropriately dated. Written representations were at times treated as if they could substitute for other audit evidence rather than complement it.
- **Review and finalisation.** Significant judgments, contradictory evidence and unresolved matters were not always visible to the reviewer at the point the audit conclusion was approved.

Why this matters for audit quality

The areas above share a common characteristic: management judgment is high and direct third-party evidence may be limited. In such circumstances, audit quality depends on the engagement team demonstrating an independent evaluation rather than documenting management's analysis and accepting it by default.

EXPECTED PRACTICE

- Apply ISA 540's method–assumptions–data discipline and a stand-back evaluation to material estimates, with explicit consideration of contradictory evidence and bias.
- Define specialist responsibilities early and document how the engagement team evaluated and used the specialist's work.
- Use a completion memorandum for going concern, subsequent events, related parties and written representations that records unresolved matters and their reporting consequences.

PARTNER CHALLENGE

For each judgment-heavy balance or disclosure, can the engagement partner identify the evidence that challenged management's position, the contradictory evidence considered and the reason the final conclusion remained appropriate?

04 Industry-specific audit considerations

Generic programmes do not replace a sector-informed understanding of operations, data and risk

80	19	51
THEME OBSERVATIONS	CRITICAL + SIGNIFICANT	ISA 230 / 501 / 540

Inventory, contract revenue, IT-dependent balances and sector cost drivers

TECHNICAL REFERENCES ISA 315 (Revised 2019), 330, 500, 501, 540 and 720; IAS 2, IFRS 15 and IFRS 16; applicable sector requirements

What the 2025–26 QCRs indicated

- **Manufacturing — inventory existence and valuation.** Attendance at physical inventory counts, alternative procedures and reconciliation of count movements to year end were not always adequately evidenced. Quantity testing was sometimes disconnected from costing, overhead absorption, by-product accounting, slow-moving inventory and net realisable value.
- **Manufacturing — operational-to-financial linkage.** Production volumes, installed and actual capacity, raw-material consumption, yields, wastage and cost-of-sales records were not always reconciled to the ledger, financial statements and directors' report. These operational measures can provide powerful corroborating or contradictory audit evidence.
- **Service, construction and contract-based revenue.** The audit did not always begin with a sufficiently detailed understanding of contract terms, performance obligations, point-in-time versus over-time recognition, measurement of progress, variable consideration and cut-off. Generic revenue programmes were not a substitute for contract-level analysis.
- **Technology-dependent environments.** Revenue and other significant balances supported by system-generated reports or interfaces were sometimes audited without a sufficiently developed understanding of relevant IT processes, automated controls and the reliability of reports used as audit evidence.
- **Sector-specific cost drivers and contractual evidence.** Payroll, direct cost, aircraft or equipment lease charges and other operational cost drivers were not always linked to underlying contracts and operating data. Where the team lacked specialised knowledge, involvement of IT, valuation, actuarial, tax or other specialists was not always evident.

Why this matters for audit quality

Industry knowledge affects both risk assessment and the persuasiveness of evidence. Sector economics, operational data and regulatory requirements often expose inconsistencies that will not be identified through a generic trial-balance-driven audit programme.

EXPECTED PRACTICE

- Develop sector-specific risk libraries and audit programmes, but require the engagement team to tailor them to the entity's actual process, contracts, data sources and assertions.
- Reconcile operational metrics to accounting records and other information presented with the financial statements, and investigate contradictory trends rather than merely documenting them.
- Identify specialist needs at planning and involve the appropriate expertise early enough to influence the audit approach.

PARTNER CHALLENGE

Were the entity's operational data flows, sector economics and specialist needs understood early enough to shape the audit strategy?

04 Recognition and measurement

Material transactions require technically grounded accounting analysis and evidence-led audit conclusions

89	24	61
THEME OBSERVATIONS	CRITICAL + SIGNIFICANT	IFRS-PRIMARY

Financial instruments, taxation and revenue

TECHNICAL REFERENCES IFRS 9 and IFRS 15; IAS 12; ISA 500 and 540

What the 2025–26 QCRs indicated

- **Financial instruments — substance before label.** Long-term loans, deposits, related-party balances and concessionary financing were not always assessed from their contractual terms. Initial fair value, amortised cost, effective interest and expected credit losses were omitted or applied inconsistently in some cases, while management descriptions were accepted without sufficient independent analysis.
- **Expected credit loss.** The completeness of instruments subject to impairment, segmentation of receivables, use of historical experience and incorporation of current and forward-looking information were not always adequately evaluated. Audit files did not always demonstrate a sufficiently sceptical assessment of management overlays or simplified provisioning approaches.
- **Current and deferred tax.** Tax computations did not always identify relevant taxable and deductible temporary differences, super-tax effects or the evidential basis for recoverability of deferred-tax assets. Audit files did not consistently reconcile the accounting tax charge and deferred-tax workings to returns, assessments and other available tax information.
- **Revenue — contract analysis.** The identification of performance obligations, determination of transaction price, variable consideration, refunds and warranties, timing of recognition and contract balances was not always supported by a complete analysis of contractual terms.
- **Revenue — audit consequence.** Cut-off and substantive procedures did not always test the transfer-of-control or progress criteria on which management's recognition policy depended. This created a risk that the audit work veri-

fied invoices or collections without testing the accounting principle that determined when revenue should be recognised.

Why this matters for audit quality

A recurring risk in these areas is that the audit begins with the amount recorded by management rather than with the contractual rights, obligations and accounting requirements that determine what should have been recorded. Technical accounting and audit evidence therefore need to be developed together, while remaining distinct.

EXPECTED PRACTICE

- Require a concise technical accounting paper for material, unusual or judgmental transactions, setting out facts, authoritative requirements, alternatives considered and the resulting accounting and disclosure conclusion.
- Reconcile tax and financial-instrument populations to independent or regulatory information before testing measurement.
- For revenue, link contract terms and performance obligations directly to the recognition policy, cut-off criteria and audit procedures performed.

PARTNER CHALLENGE

Does the file demonstrate the auditor's independent accounting conclusion before it evaluates management's calculation, or does it mainly evidence that management's own analysis was reviewed?

CONTINUED

Leases, employee benefits, government assistance and other judgmental balances require integrated accounting and audit analysis

Leases and other recognition or measurement matters

TECHNICAL REFERENCES IFRS 16; IAS 8, 19, 20, 28, 36 and 37; IFRS 9 where related financial instruments are involved; ISA 500 and 540

What the 2025–26 QCRs indicated

- **Lease completeness and measurement.** Potential lease arrangements were not always identified completely, and the contractual lease term and related measurement were not consistently evaluated. Right-of-use assets and lease liabilities were omitted or not appropriately remeasured in some cases.
- **Refundable lease deposits.** Deposits associated with lease arrangements were sometimes accounted for as part of the lease or carried at face value without a separate IFRS 9 assessment of the financial instrument. The lease and financing components need to be analysed on their own terms.
- **Employee-benefit obligations.** Post-employment benefit obligations were not consistently identified or measured, including where applicable employment legislation created an underlying obligation. The accounting assessment under IAS 19 and the legal assessment need to be considered together but documented distinctly.
- **Concessionary government financing.** The benefit element of below-market government financing was not always separated from the financial liability and evaluated as government assistance. The IFRS 9 measurement of the loan and IAS 20 accounting for the grant element should form one coherent analysis.
- **Provisions, contingencies and impairment.** Legal and other obligations were not always evaluated against IAS 37 recognition and disclosure criteria. Where investments in associates showed indicators of impairment, the interaction of IAS 28 and IAS 36 was not always fully addressed.
- **Prior-period errors.** Accounting treatments carried forward from earlier periods were not always reconsidered when new evidence indicated that the prior accounting had been incorrect. IAS 8 requires the nature of the error and the appropriate correction mechanism to be assessed rather than perpetuating an established practice.

Why this matters for audit quality

These observations are technically diverse but point to the same discipline: identify the economic substance and complete population first, determine the applicable accounting requirements second, and only then test management's measurement and disclosures. Where that sequence is reversed, the audit risks validating an incorrect accounting premise.

EXPECTED PRACTICE

- Use contract and obligation inventories for leases, employee benefits, financing arrangements and provisions, with completeness procedures before measurement testing.
- Consult early on transactions that involve more than one standard or a combination of accounting and legal requirements.
- Document the interaction between accounting standards where a transaction has linked components, rather than addressing each component in isolation.

PARTNER CHALLENGE

For a material or unusual transaction, can the engagement team explain the economic substance, the complete set of standards that interact, and the evidence supporting each major judgment without relying on the client's accounting label?

04 Presentation and disclosure

High-quality financial statements require internal consistency, entity-specific policies and complete disclosure of material information

40	0	7
THEME OBSERVATIONS	CRITICAL + SIGNIFICANT	IAS 1 PRIMARY

Cash flows, internal consistency, policies and entity-specific disclosures

TECHNICAL REFERENCES IAS 1, 7, 12, 16, 24 and 37; IFRS 7, 15 and 16

> A financial statement can be numerically accurate yet still be materially deficient if required explanatory information is absent.

What the 2025–26 QCRs indicated

- **Statement of cash flows.** Classification between operating, investing and financing activities, non-cash adjustments and reconciliation to the underlying financial statements were not always correct. Errors in cash-flow presentation frequently reflected insufficient linkage between the statement and the supporting working papers.
- **Internal consistency.** Notes did not always reconcile to the primary statements, comparative information or other notes. Cross-references, headings and movement schedules were sometimes incomplete, and changes made late in the reporting process were not consistently reflected throughout the financial statements.
- **Accounting policies.** Policies were at times generic or reproduced standard wording without describing the entity's actual transactions, judgments and recognition practices. Boilerplate policy disclosures can obscure rather than explain the accounting applied.
- **Related parties and significant judgments.** Relationships, balances and transactions were not always disclosed completely or reconciled to the accounting records. Significant judgments, estimation uncertainty and relevant assumptions were also not always presented with sufficient entity-specific context.

- **Financial-risk and performance disclosures.** Expected-credit-loss and other financial-risk information, revenue disaggregation, contract balances, lease information, property, plant and equipment movements, capacity information, contingencies and commitments were incomplete or internally inconsistent in some financial statements.

Why this matters for audit quality

Presentation and disclosure are part of the financial-reporting framework and therefore part of the audit opinion. A financial statement can be numerically accurate yet still be materially deficient if significant judgments, risks, commitments or required explanatory information are absent or internally inconsistent.

EXPECTED PRACTICE

- Use a disclosure checklist as a completeness tool, but require a separate senior review of entity-specific relevance, internal consistency and linkage to the underlying accounting analysis.
- Reconcile every primary statement and material note to the final trial balance and supporting schedules after all audit adjustments and late changes have been posted.
- Challenge boilerplate policies and disclosures that do not explain the entity's actual transactions, risks and judgments.

PARTNER CHALLENGE

Has the final set of financial statements been read as a coherent document from the perspective of a knowledgeable user, rather than reviewed only as a collection of individually completed notes?

04 Legal and regulatory compliance

The auditor must understand when non-compliance creates an accounting, disclosure, governance or reporting consequence

57	10	21
THEME OBSERVATIONS	CRITICAL + SIGNIFICANT	COMPANIES ACT PRIMARY

Companies Act, taxation and workforce obligations — evaluating non-compliance

TECHNICAL REFERENCES ISA 250 and 720; Companies Act, 2017 and applicable corporate regulations; Income Tax Ordinance, 2001; applicable sales-tax, workers' welfare/profit-participation and employment legislation; IAS 12, 19 and 37 where accounting consequences arise

What the 2025–26 QCRs indicated

- **Companies Act matters.** Recurring issues included directors' report content, advances to directors or executives, employee provident-fund matters, unclaimed dividends, related-party or investment approvals and prescribed financial-statement presentation. The file did not always show how non-compliance was evaluated for accounting, governance and auditor-report implications.
- **Income-tax compliance and accounting consequences.** Current and deferred tax, withholding and other exposures were not always reconciled to the relevant tax records or evaluated for the resulting liability, provision, contingent-liability or disclosure consequence.
- **Sales-tax exposures.** Federal or provincial sales-tax requirements were not always evaluated completely, including the accounting for taxes collected or payable and the possible consequences of non-compliance. In some cases, the applicable jurisdiction and the nature of the transaction were not established before the accounting conclusion was reached.

- **Workforce-related statutory obligations.** Workers' welfare or profit-participation liabilities, related interest or surcharge and employment-related benefit obligations were not always connected to the applicable legal basis and the resulting IAS 19 or IAS 37 accounting analysis. Applicable provincial and fact-specific requirements were not always considered.
- **Audit response to non-compliance.** Documentation did not always show how actual or suspected non-compliance was investigated, communicated to management or those charged with governance and evaluated for its effect on the financial statements and auditor's report.

Why this matters for audit quality

Non-compliance with company law, tax and workforce legislation is rarely a legal matter alone: it drives provisions, contingent liabilities, disclosures and, in some cases, the form of the auditor's report. A file that identifies a statutory breach but does not trace it through to its accounting, governance-communication and reporting consequences leaves the audit opinion exposed on a matter the auditor already knew about.

EXPECTED PRACTICE

- Maintain an entity-specific legal and regulatory register that identifies the principal financial-reporting consequences; involve tax or legal specialists where the obligation, jurisdiction or consequence is unclear.
- Document the ISA 250 pathway from identified non-compliance to communication, accounting treatment, disclosure and auditor-report consequence.

PARTNER CHALLENGE

For each material legal or regulatory matter, can the engagement partner demonstrate the applicable requirement, the evidence obtained, the financial-statement consequence, the communication made and the resulting reporting decision?

> "Completion of a QCR does not conclude QAB's oversight of a firm's satisfactory status.
>
> — QUALITY CONTROL REVIEW PROCESS

05 Quality Control Review process

An eight-stage cycle under the QCR Framework 2024

01 Engagement Population

The firm submits an updated list of all audit engagements undertaken since the date of its previous submission to QAD.

02 Completeness Checks

QAD assesses the list for completeness and accuracy against relevant SECP information and the UDIN database, and performs a public-interest company check using the population provided by AOB.

03 Engagement Selection

Audit engagements are selected on a risk-based, sector-specific and random basis in accordance with the QCR Framework 2024.

04 Review Execution

QAD reviews the selected engagements and the firm's system of quality management.

05 Closing Discussion

Deficiencies are discussed with the relevant engagement partner. A summary of significant findings and a list of missing documents are shared after the concluding discussion.

06 Draft Report

A draft QCR report, including deficiencies identified by the engagement and financial-statements reviewers, is issued to the firm for comments and an action plan within 14 days.

07 Finalisation and Board Consideration

The reviewer evaluates the firm's response, finalises concluding remarks and submits the report to QAB. At draft stage, the firm may request a meeting with the Head of QAD on specific review matters.

08 QCR Conclusion

Following QAB approval, the final report is issued with one of three conclusions: Satisfactory; Satisfactory with improvements required; or Unsatisfactory.

CONTINUING VALIDITY AFTER QCR

Completion of a QCR does not conclude QAB's oversight of a firm's satisfactory status. Continued inclusion on the List depends on timely renewal, complete and accurate information, cooperation with QAD, and continuing compliance with applicable professional and regulatory requirements. Information coming to QAD or QAB after completion of a review may therefore require further evaluation and appropriate action under the applicable framework.

DUE PROCESS

The firm is given an opportunity to respond to draft findings and propose an action plan before the report is considered by QAB. The final conclusion is a Board decision under the applicable QCR Framework.

“

Technology will support stronger audit trails and evidence-based decisions while remaining an enabler of, not a substitute for, professional judgment.

Message from the Chairperson

06 Composition of the Quality Assurance Board

Members of the Board as at 30 June 2026



Ms. Kauser Safdar, FCA

CHAIRPERSON | Nominated by SECP

Ms. Kauser Safdar is a Fellow Member of ICAP with 20 years of post-qualification experience. Her professional background includes roles at UBL and First Women Bank Limited, and she currently serves as Chief Financial Officer of PAIR Investment Company Limited. She is a Certified Director and Certified Islamic Banker. Ms. Safdar is serving her second term on QAB and contributes to ICAP's Professional Accountants in Business and Benevolent Fund Committees and OICCI's ESG Committee. She has previously served on the OICCI Gender Equality Committee and ICAP CA Women Committee. She served as Chairperson until 24 September 2026, when Ms. Shaista Bano Gilani was nominated by SECP in her place.



Syed Aftab Hameed, FCA

MEMBER | Nominated by ICAP Council

Syed Aftab Hameed is a Fellow Chartered Accountant and has been in practice since qualifying in 1985. He is Chairman and Senior Partner of Kreston Hyder Bhimji & Co., where he leads the firm's audit and assurance practice. His experience spans audits, investigations and management consultancy across a range of sectors. He has served on ICAP's Practicing Members, Accounting and Auditing Standards, and Education and Training Committees, and was a joint auditor of ICAP from 2017 to 2021. He joined QAB on 1 July 2021 and was re-nominated for a further three-year term from 1 July 2024.



Syed Majid Ali, FCA

MEMBER | Nominated by SECP

Syed Majid Ali is a Fellow Member of ICAP with more than three decades of experience across banking finance, technology, human resources, mergers and acquisitions, and transformation. His career includes senior finance roles at Bank Islami, Saudi Pak Commercial Bank, Emirates Bank International and Faysal Bank, as well as partnership at KPMG Taseer Hadi & Co. At Faysal Bank, he led the conversion to a full-fledged Islamic bank and received ICAP's Finance Leader Award 2023. He has contributed to major banking acquisitions and integrations, served on the board of Central Depository Company of Pakistan, and is Vice Chairman of Faysal Asset Management Limited.



Mr. Mehmood Abdul Razzak, FCA

MEMBER | Nominated by ICAP Council

Mr. Mehmood Abdul Razzak is a Fellow Member of ICAP and the founding and managing partner of Baker Tilly Pakistan, where he leads assurance and business advisory services. He has more than 20 years of professional experience and previously served in a senior finance role at Central Depository Company of Pakistan. He has contributed to the development of the firm's practice in Pakistan and Afghanistan. His professional-service record includes ICAP's Quality Assurance Board, Southern Regional Committee, taxation and continuing professional development committees, and the Karachi Tax Bar Association. He currently serves on ICAP's Auditing Standards and Ethics Committee and Practicing Members Committee.



Mr. Muhammad Shahid Ashraf, FCCA

MEMBER | Nominated by State Bank of Pakistan

Mr. Muhammad Shahid Ashraf is a financial-sector professional with around 30 years of experience in central banking, commercial banking and industry. At the State Bank of Pakistan, he served as National Coordinator for the assessment of money-laundering and terrorist-financing risks and headed the Foreign Exchange Operations Department. He is Chief Executive Officer of Athina Consultancy, advising on AML/CFT, corporate governance, foreign exchange, risk management and financial reporting. He is a Fellow of ACCA, a Certified Information Systems Auditor, an associate member of the Institute of Bankers, Pakistan, and holds an MBA.



Mr. Rashid Ahmed Jafer, FCA

MEMBER | Nominated by State Bank of Pakistan

Mr. Rashid Ahmed Jafer is a Fellow Chartered Accountant with more than 37 years of experience at A. F. Ferguson & Co., a member firm of the PwC network, including 24 years as a partner. He served as Head of Assurance Services and Financial Services Leader, with extensive experience in audit quality, financial reporting and the financial-services sector. Following his retirement from the firm, he has continued to contribute through board-level roles. He currently serves on the boards of Habib Metropolitan Bank Limited, UBL Fund Managers and OLP Financial Services.



Mr. Sarwar Khan Mohmand, FCA

MEMBER | Nominated by ICAP Council

Mr. Sarwar Khan Mohmand is a Fellow Chartered Accountant with more than 27 years of experience in finance, ERP implementation, business transformation and advisory across Pakistan, Saudi Arabia and the GCC. He is Group Chief Financial Officer at Al-Hafiz Industries. His previous roles include Group Director Finance at JW SEZ Group, Partner at Riaz Ahmad & Company, Group CFO at WAK Group and Deputy CFO at Al-Qahtani Pipe Coating Industries. His experience includes financial reporting, internal audit, debt restructuring, IPO preparation and implementation of Oracle and Microsoft Dynamics systems, together with training in IFRS and sustainability reporting. He was elected Chairman of QAB by the Board at its 182nd meeting on 2 October 2026, after the reporting period.



Mr. Taj Ahmed

MEMBER | Nominated by Pakistan Stock Exchange

Mr. Taj Ahmed is an internal-audit and risk-management specialist with more than 17 years of experience and serves as Assistant General Manager – Internal Audit at the Pakistan Stock Exchange. He is a Certified Business Accountant, holds an MBA in Finance and a postgraduate diploma in Data Sciences, and has completed ICAP's Technology Assurance Certificate. He began his career with Deloitte Yousuf Adil, Chartered Accountants, including work in enterprise risk services. Since joining the Exchange in 2012, he has led financial, operational, regulatory and information-technology audits focused on controls, compliance, operational effectiveness and risk mitigation.

06 Board transition and subsequent appointments

Membership changes during and after the reporting period



Mr. Nadir Altaf

SECP REPRESENTATIVE | Appointed 10 July 2026

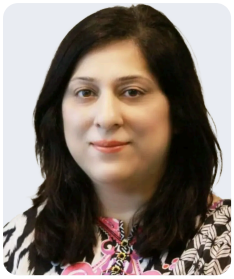
Mr. Nadir Altaf was appointed to QAB as an SECP representative on 10 July 2026, after the reporting period. He is a Senior Partner and Co-Lead of the Energy, Infrastructure and Project Finance Practice at RIAA Barker Gillette, with approximately three decades of legal, corporate and regulatory experience. His practice covers project finance, public-private partnerships, mergers and acquisitions, infrastructure transactions, regulatory frameworks and dispute resolution. He has advised sponsors, lenders, investors and public-sector institutions on major energy and infrastructure matters. Mr. Altaf holds an LL.M. in Business and Trade Law, an LL.B. and a Bachelor of Science.



Mr. Irshad Mahmood, FCA

SECP REPRESENTATIVE | Nominated 12 August 2026

Mr. Irshad Mahmood was nominated to QAB by SECP on 12 August 2026, after the reporting period, in place of Syed Majid Ali. He is a Chartered Accountant of ICAP and ICAEW and a Chartered Management Accountant of ICMAP, with more than 34 years of international experience in audit and assurance, Islamic finance and financial reporting. He served as Audit & Assurance Partner and Audit & Assurance Business Leader at Deloitte Bahrain and as Deloitte Global Islamic Finance Leader, and was previously an Audit & Assurance Partner at PwC Bahrain. He is a member of the AAOIFI Accounting Board, chairs its Takaful Accounting Committee and has served as Deputy Convener of ICAP's Takaful Accounting Committee.



Ms. Shaista Bano Gilani

SECP REPRESENTATIVE | Nominated 24 September 2026

Ms. Shaista Bano Gilani was nominated to QAB by SECP on 24 September 2026, after the reporting period, in place of Ms. Kauser Safdar. She is a regulatory, competition law and corporate governance specialist with more than two decades of experience. She served for 15 years at the Competition Commission of Pakistan, including as Member and Acting Chairperson, and earlier as Deputy Registrar of Companies at SECP. She is a Member of NADRA and Chairperson of its HR and Admin Committee, and serves as an Independent Director of Sindh Bank Limited, Thatta Cement Company Limited, Select Technologies Limited and Ansari Sugar Mills Limited. Ms. Gilani holds an MSc in Economics for Competition Law from King's College London and an MBA in Finance; she is a member of ACCA (UK) and a Certified Director.

Effective date	Transition
17 November 2025	Mr. Muhammad Ashraf Bawany's membership term expired.
18 February 2026	Mr. Taj Ahmed was nominated to QAB.
9 June 2026	Ms. Anam Arshad resigned from QAB.
10 July 2026	Mr. Nadir Altaf was appointed after the reporting date for the remaining term of Ms. Anam Arshad; his profile is presented as a subsequent Board appointment.
12 August 2026	Mr. Irshad Mahmood was nominated by SECP in place of Syed Majid Ali; his profile is presented as a subsequent Board appointment. Mr. Nadir Altaf was also re-nominated for a consecutive second term by SECP.
24 September 2026	Ms. Shaista Bano Gilani was nominated by SECP in place of Ms. Kauser Safdar; her profile is presented as a subsequent Board appointment.
2 October 2026	The Board elected Mr. Sarwar Khan Mohmand as Chairman at its 182nd meeting, following the nomination of Ms. Shaista Bano Gilani in place of Ms. Kauser Safdar.

BOARD CHANGES

Profiles are presented for members in office at 30 June 2026 and, in the case of Mr. Nadir Altaf, Mr. Irshad Mahmood and Ms. Shaista Bano Gilani, as subsequent appointments. Syed Majid Ali and Ms. Kauser Safdar, whom Mr. Irshad Mahmood and Ms. Shaista Bano Gilani respectively replace, remain profiled as members in office at the reporting date. Subsequently, at its 182nd meeting on 2 October 2026, the Board elected Mr. Sarwar Khan Mohmand as Chairman. Mr. Muhammad Ashraf Bawany and Ms. Anam Arshad, who ceased to be members during the year, are not profiled. Attendance for all members who served during 2025–26, including Mr. Taj Ahmed and Ms. Anam Arshad, is reported on the following page.

07 Meetings and attendance

Fourteen meetings were held during the year ended 30 June 2026

14
BOARD MEETINGS
during 2025–26

13
CHAIRPERSON ATTENDED
meetings

2
MEMBERS ATTENDED ALL
14 meetings

Name	Role	Meetings attended
Ms. Kauser Safdar, FCA	Chairperson	13
Syed Aftab Hameed, FCA	Member	14
Ms. Anam Arshad*	Member	3
Syed Majid Ali, FCA	Member	7
Mr. Mehmood Abdul Razzak, FCA	Member	10
Mr. M. Ashraf Bawany, FCMA*	Member	8
Mr. M. Shahid Ashraf, FCCA	Member	14
Mr. Rashid Ahmed Jafer, FCA	Member	13
Mr. Sarwar Khan Mohmand, FCA*	Member	13
Mr. Taj Ahmed*	Member	4

Mr. Bawany's term expired on 17 November 2025; Mr. Taj Ahmed was nominated with effect from 18 February 2026; and Ms. Anam Arshad resigned with effect from 9 June 2026. Mr. Nadir Altaf, Mr. Irshad Mahmood and Ms. Shaista Bano Gilani were appointed after the reporting period and are therefore not included in the attendance table. Mr. Sarwar Khan Mohmand was elected Chairman on 2 October 2026.

> "Retaining QAD's core professional team also preserved continuity and valuable institutional knowledge.
>
> MESSAGE FROM THE CHAIRPERSON

08 Senior management of QAD

Leadership of the Quality Assurance Department



Mr. M. Fahad Parvaiz, FCA, ACA (ICAEW), FPFA, CFE

DIRECTOR AND HEAD, QUALITY ASSURANCE DEPARTMENT

Mr. M. Fahad Parvaiz is Director and Head of QAD at ICAP. A Fellow Member of ICAP and PIPFA and an Associate Member of ICAEW, he has more than 17 years of professional experience, including international assignments with EY in Dubai and London and senior finance-leadership roles in industry. Since joining ICAP in 2014, he has led and overseen QCRs of audit firms across Pakistan and delivered extensive professional training on audit quality, recurring inspection findings and good practice. In 2025, he contributed to a high-level international symposium hosted by the UK Financial Reporting Council.

CORE EXPERTISE Audit quality assurance · Regulatory inspections and compliance · ISAs and IFRS · Professional development · Stakeholder engagement



Mr. Shaikh Muhammad Yasin, FCA, FPFA

SECRETARY, QUALITY ASSURANCE BOARD

Mr. Shaikh Muhammad Yasin supports QAB in discharging its mandate under the QCR Framework. A Fellow Member of ICAP and PIPFA, he has more than a decade of experience across assurance, finance, regulatory oversight, internal and external audit, QCR, financial reporting and advisory. His previous experience includes work with leading international firms, including a Big Four firm, with a focus on IFRS, audit and tax advisory. He has served as a trainer for an international audit regulator and as visiting faculty in advanced accounting and financial reporting.

CORE EXPERTISE Board and regulatory support · Audit quality · Financial reporting · IFRS and ISA · Training and capacity development

OPERATING FOCUS

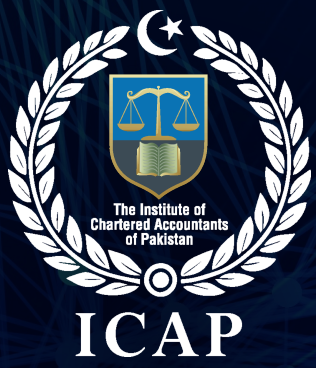
QAD's leadership agenda combines technical consistency, reviewer development, timely QCR delivery, data-enabled monitoring and effective support to QAB's independent decision-making.

09 Quality Assurance Department

Staff composition

Name	Designation
Mr. Muhammad Fahad Parvaiz	Director and Head of Department
Mr. Shaikh Muhammad Yasin	Secretary to QAB
Mr. Abid Murtazai	Senior Manager
Mr. Adnan Mehmood Khan	Senior Manager
Mr. Ali Raza Lakho	Senior Manager
Mr. Kamran Arif	Senior Manager
Syed Muzammil Ali	Senior Manager
Mr. Ali Irtaza Ismail	Manager
Mr. Arsalan Ashraf	Manager
Mr. Fahad Feroze	Manager
Ms. Farhat Razzaq	Manager
Mr. Hameedullah	Manager
Mr. Muhammad Qasim Shehzad	Manager
Mr. Chandan Kumar	Assistant Manager
Mr. Afaq Ahmad	Officer
Mr. Nathan Peter	Officer

> “
>
> QAB and QAD must continue to strengthen review methodologies, enhance reviewer capabilities and respond effectively to emerging risks, evolving standards and technological change.
>
> — MESSAGE FROM THE CHAIRPERSON



ICAP

Quality Assurance Board

ANNUAL REPORT 2026

Stewarding audit quality through rigorous, risk-informed review

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN