

COUNCIL'S REPORT

*The Council of the Institute of Chartered Accountants of Pakistan (ICAP)
is pleased to present its Annual Report 2008.*

HIGHLIGHTS OF THE YEAR

SAFA Conference 2008 in Lahore

At the initiative of Past President ICAP Imran Afzal, South Asian Federation of Accountants (SAFA) Conference 2008 titled Value Creation by Professional Accountants was jointly held by ICAP and ICMAP in Lahore on April 4 and 5. Muhammad Ishaq Dar, Federal Minister for Finance, Economic Affairs and Commerce, inaugurated the conference. Former Minister for Industries, Salman Taseer delivered the keynote address, followed by an address by President SAFA Syed Shabbar Zaidi.

Chairman SAFA Conference organizing committee Rashid Rahman Mir welcomed around 800 participants to the



conference, including delegates from all SAFA member bodies. Along with members of ICAP and ICMAP, local attendees included representatives from national and multinational companies in the financial, service and industrial sectors, and regulatory bodies.

Three Technical Sessions titled Reporting for Value; Strengthening the Businesses; and Global Integration from a Regional Perspective, chaired respectively by former Chairman Federal Board of Revenue M. Abdullah Yusuf; President of the Institute of Chartered Accountants of Nepal Ratna Raj Bajracharya; and Rector Lahore School of Economics Dr. Shahid Amjad Chaudhry were held on the second day, as was a special Panel Discussion on Value Creation by Professional Accountants. Panelists comprised heads of all SAFA member bodies.

SAFA Conference was given significant coverage in mainstream print and electronic media. The event was managed by an organizing committee comprising volunteers assisted by ICAP staff at Lahore and Karachi.



ICAP representatives on the committee were Hafiz Muhammad Yousaf, Fariduddin Ahmad, Naeem Akhtar Sheikh, Asim Nazir, Irfan Rahman Malik, Shahzad Hussain, Rana Muhammad Usman, Shibli Islam Rehan, Maria Qamar, Shaikh Muhammad Fahim and Ajmal Masood.

The SAFA Conference owes its success to our lead sponsors Allied Bank Ltd., main sponsors Wateen Telecom, and co-sponsors PepsiCo.

New Developments at ICAP

Peshawar Office Opening

We are very pleased to announce the opening of ICAP's Peshawar office. The property features a conference room and a library.



Renovated Offices at Karachi, Lahore and Islamabad

A bold renovation of Karachi, Lahore and Islamabad offices was undertaken last year, the results of which are clearly visible in our refurbished premises which now sport a modern and refined look that boosts the Institute's image.

Extension of Members' Library/Lounge at Head Office

Another priority was to develop the Members' Library and Lounge so that they integrate comfort and ambience for our members. The extended premises are now able to cater to more of our members who would like to avail the facility.

Computerized Registration for PPT

The system of Centralized Registration Number has been introduced to facilitate access to the complete record of a student through a single allocated number. This will enable students to interface with the Institute more easily.

Integration of Collection System at All ICAP Offices

The integration will provide quick access between fee and payment information to our members and students from any ICAP office.

Distribution of Endowment Funds

The Council has made the Endowment Fund a priority on the Institute's agenda. Thanks to the efforts of all those involved, the Fund is now fully functional with 73 disbursements in 2008 to students fulfilling eligibility criteria.

Through the Endowment Fund, the Institute wants to keep its doors open for generations of students to come.

EDUCATION & TRAINING

Nurturing Business Leaders All Pakistan CA Students' Conference March 2008

The All Pakistan Chartered Accountancy Students' Conference was held in Lahore on March 29, 2008. The theme of this year's conference was Chartered Accountancy – Nurturing Business Leaders. Imran Afzal, President ICAP,



and Syed Mohammad Shabbar Zaidi, President SAFA inaugurated the conference. Tariq Iqbal, Chairman and Managing Director of National Investment Trust (NIT) was the Chief Guest.

With 500 participants the conference was hailed as a highlight of DET's yearly initiatives of providing learning platform to the young intellectual minds of the profession.

Debate Competition

ICAP held inter-RAET debate competitions in Karachi, Lahore and Islamabad during May 2008 for students



of Modules A to D. The topic of debate in Karachi and Lahore was Media Independence: A Blessing or a Threat. In Islamabad students debated the Internal and External Threats of Terrorism. The debaters were feisty and confident and came armed with strong arguments in favor of and against the proposed themes.

Forty students took part in the competition. The winners' names were announced in the Newsletter for the month of June.

Inter-RAET Writing Skills Competition

As an extension of its policy of fostering students' softer skills, the Institute organized a Writing Skills Competition among students of Modules A to D on the topic "Wedding Culture in our Society". Students showed great enthusiasm by sending in their compositions. The winners' names were announced in the Newsletter for the month of August.

Paper Specific Study Workshops for Modules E and F Students

To facilitate the examinees of Modules E and F, DET organized a series of Paper Specific Study Workshops on Advanced

Accounting & Financial Reporting, Advanced Taxation and Business Finance Decisions in Karachi, Islamabad and Lahore in October & November 2007 and April & May 2008.

Career Counseling Sessions

During the year 2007-08, ICAP Education Team conducted various career counseling sessions by visiting schools and colleges, and participating in the Dawn Education Expo 2008 and Scenario Group Expo. The sessions provided an opportunity to provide guidance to the bright young minds in pursuing chartered accountancy:

Career Counseling Activities During 2007-08

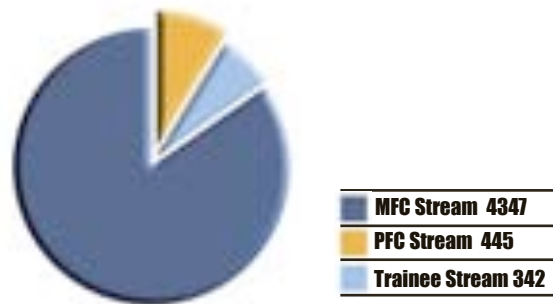
City	No. of Institutes Visited	No. of students counseled
Abbottabad	01	257
Faisalabad	10	1,427
Gujranwala	05	1,085
Islamabad	08	570
Karachi	14	2,635
Lahore	11	744
Multan	10	897
Rawalpindi	06	822
Wah	02	687
Dawn Education Expo 2008 (Karachi, Lahore and Islamabad)	-	1,500
Scenario Group Expo (Gujranwala, Faisalabad and Sargodha)	-	4,929

Status of Training Organizations

During the year 52 new firms were inducted as Training Organizations (TO). The status of Training Organizations upto June 30, 2008 is as follows:

Description	11 and Above Partners	6 - 10 Partners	3 - 5 Partners	2 Partners	Sole Proprietor	Total
Total Firms	5	13	27	58	124	227
Applications Received	5	11	20	36	48	120
Approved as TO	4	11	16	33	41	105
In Process	1	0	4	3	7	15
Applications not Received	0	2	6	21	75	107

Students Intake 2007-2008



New RAETs Approved for Conducting MFC Courses

During the year the following RAETs were approved for conducting MFC courses:

1. The Professionals' Academy of Commerce, Gujranwala
2. Multan College of Accountancy, Multan
3. Islamabad College of Accounts and Finance, Rawalpindi
4. Wah College of Accountancy, Wah Cantt
5. School of Business and Management, Islamabad
6. SKANS School of Accountancy, Faisalabad

Review of Minimum Stipend Rates for Trainees

The Council revised minimum stipend rates payable to trainees, as given below, with effect from July 1, 2008:

Particulars	Per Month Amount in Rs.
Intermediate Passed / Exempted Trainee Students	
On commencement of training contract	6,500/=
On passing Module E or F	10,000/=
On qualifying	25,000/=
Graduate / Post Graduate Trainee Students	
On commencement of training contract	6,500/=
On passing Module E or F	10,000/=
On qualifying	25,000/=

Representation on IAESB of IFAC

Abdul Rahim Suriya FCA, member International Accounting Education Standards Board (IAESB) of IFAC along with Director-Education & Training (as technical advisor) attended the IAESB meetings held in Beijing, China from October 22 to 24, 2007 and in Dublin, Ireland from May 26 to 28, 2008.

Representation on SAFA

Khaliq-ur-Rahman FCA, member SAFA Committee on Education, Training and CPD attended the committee meeting in Mumbai India in December 2007 and presented the minimum common syllabi developed by ICAP for SAFA chartered accountancy bodies.

In the year 2008-09 the Directorate envisions broadening the scope of its activities at various fronts. In addition to the existing methods adopted for reaching out to bright minds, the Directorate also plans to establish liaisons with various Boards of Intermediate Education and NGOs for deserving students. For facilitation of its students, it aims to develop question banks on selective subjects, organize study workshops and students' conference. For fostering softer skills of the students, it aspires to organize more public speaking and writing skills contests.



BOARD OF STUDIES

The Board of Studies continues working towards achieving its aim to provide quality study material to our students. A number of important projects have been completed during the year. The Board has reviewed and approved 12 study packs for students of Intermediate and Final levels. Review of another six subjects of Foundation and Intermediate levels is in process. The Board has also been able to identify several accomplished writers to compile textbooks for our students. A textbook on Financial Accounting is set to be published during the year.

The Board of Studies has further contributed in developing SAFA's 'Minimum Common Syllabi' contents to bring them in uniformity to increase

acceptance of professionals amongst member countries. Moreover, the Board is successfully running "Call the Counselor Program" to facilitate students to interact with counselors for queries pertaining to examination techniques, understanding various topics and time management. The Board will also begin a 'Faculty Facilitation Program' to participate in discussion relating to course material, curriculum and other areas of professional concern.

The Board is constantly striving to provide quality study material to students and in this context our future goals are to publish and distribute high quality study material, books and revision kits for every Module of the CA examinations.





EXAMINATIONS

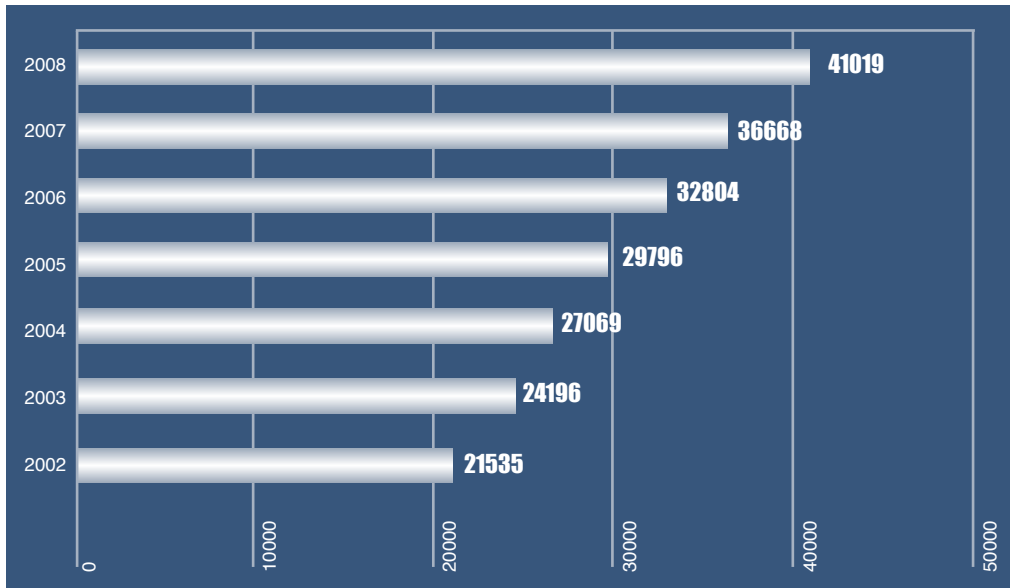
The number of students appearing in the Foundation and Intermediate examinations has been increasing with more than 12,000 students sitting the Spring 2008 examination.

A number of new initiatives were taken during the year of which the more significant are presented below:

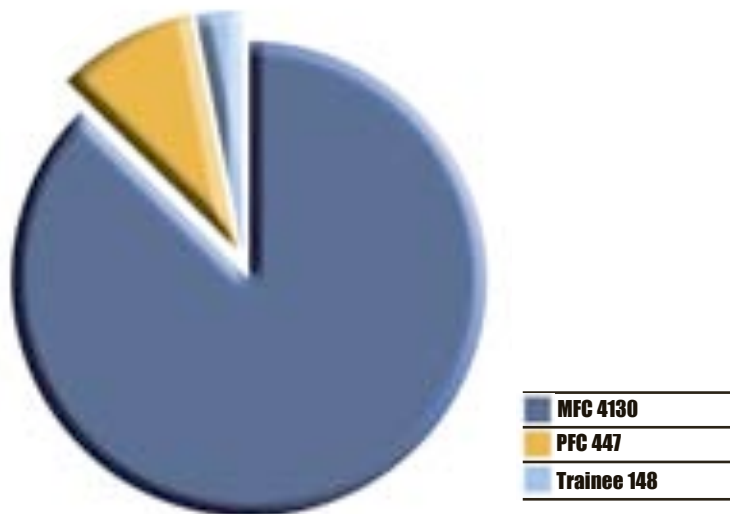
- ▶ The policy of Open Book Examinations introduced in June 2007 was extended to include the subject of Advanced Auditing (Module F). Students appearing in the Summer 2008 examinations will now be allowed to carry original bound volumes of the Handbook of International Auditing and Assurance Pronouncements and Code of Ethics for Chartered Accountants, to the examinations halls.
- ▶ Beginning Autumn 2007, the results are now communicated to the students on their respective cell numbers almost instantly after their announcement. Those students who have not furnished particulars of their cell numbers can retrieve their results by forwarding their identification codes through designated ICAP Service number.
- ▶ The system of Centralized Registration Number has been introduced to facilitate access to the complete record of a student through a single allocated number. This would also enable the students to interface with ICAP more easily.
- ▶ The Examination Department has been strengthened further by appointment of two Chartered Accountants to handle additional workload and also to achieve greater co-ordination with external examiners.
- ▶ The infrastructure facilities in the Examination Department are in the process of being upgraded significantly to meet the increasing workload on account of sustained annual rise in the number of students.

The future goals of Examination Department include web based system for form submission, allowing facility for online tracking of the status of an application, expediting the process of issuance of exemption letters and extension of open book examination policy.

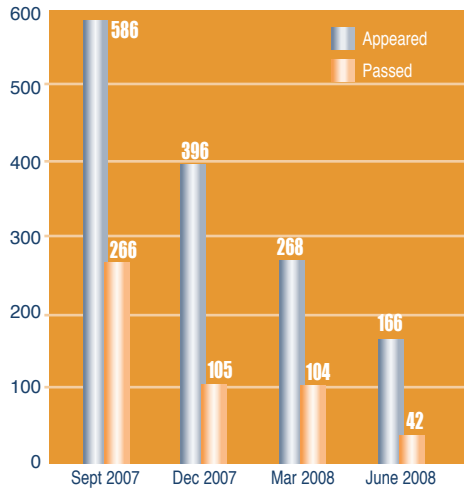
Registered Examinees as at June 30, 2008



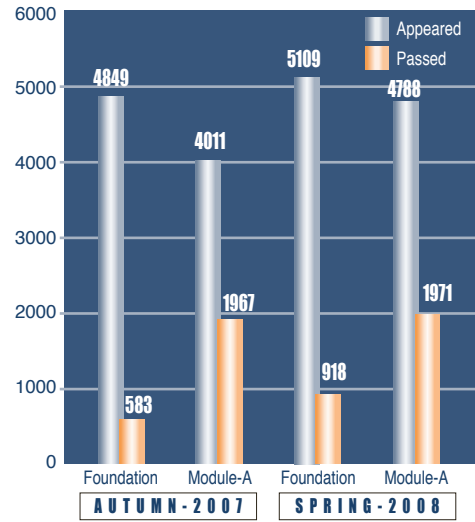
New Examinees Registered 2007-08



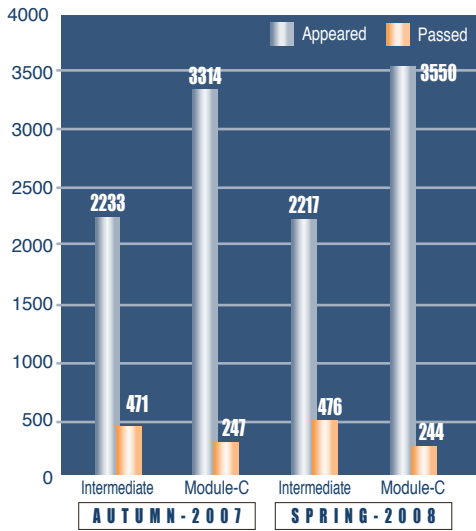
Pre-entry Proficiency Test



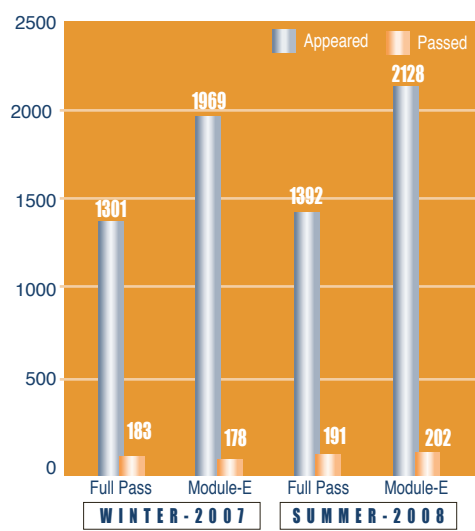
Foundation Examination



Intermediate Examination



Final Examination



Award of Gold Medals



Intermediate Examinations

Autumn 2007

Anita Chandnani	Kasbati Memorial Gold Medal
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Spring 2008

Baasit Ali	ICAP Gold Medal (Ameena Khatib Foundation)
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Ayesha Arif Bawany	Kasbati Memorial Gold Medal
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Final Examinations

Winter 2007

Muhammad Shahzad	Bhimji Gold Medal ICAP Gold Medal NBP Gold Medal
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Mohammad Junaid	J P Patel Memorial Gold Medal
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Muhammad Fahad Arzani	Osman Ali Gold Medal
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Summer 2008

Badar	S A Salam Memorial Gold Medal Irtiza Husain Gold Medal
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Shumaila	ICAP Gold Medal (Dewan Mushtaq Group)
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Award of Merit Certificates

Foundation and Intermediate Examinations

Autumn 2007

No.	Name	Paper
01	Huma Muhammad Yousaf	Functional English
02	Muhammad Muzzamil	Quantitative Methods
03	Ammad Saleem	Introduction to Economics and Finance
04	Muhammad Rizwan	Introduction to Economics and Finance
05	Mohammed Talha Kamal	Introduction to Financial Accounting
06	Muhammad Rizwan	Introduction to Financial Accounting
07	Muhammad Zeeshan Sabir	Introduction to Financial Accounting
08	Shazil Pervaiz	Mercantile Law
09	Ayesha Arif Bawany	Business Communication and Behavioural Studies
10	Ramiz Ali	Taxation
11	Adeel Yousaf	Company Law
12	Nida Ahmed Farid	Auditing
13	Yousuf Raza	Cost Accounting
14	Syed Muhammad Kamran Ali Raza	Information Technology

Foundation and Intermediate Examinations

Spring 2008

No.	Name	Paper
01	Syed Taha Shakeb Ahmed Rizvi	Functional English
02	Amar Lal	Quantitative Methods
03	Asfahan Ahmed	Introduction to Economics and Finance
04	Usman Shahid	Introduction to Financial Accounting
05	Muhammad Muzzamil	Mercantile Law
06	Musa Khan Durrani	Business Communication and Behavioural Studies
07	Baasit Ali	Taxation
08	Baasit Ali	Financial Accounting
09	Mohammad Khurram Jah	Company Law
10	Qasim Cheema	Auditing
11	Sajeel Zahid	Cost Accounting
12	Fatima Azher	Information Technology

TECHNICAL SERVICES

The Directorate of Technical Services (DTS) through its various Committees is proactively supporting and assisting its members in their practice and influencing law, regulation and market practices through:

- ▶ Developing guidance and best practice papers
- ▶ Contributing technical update material to help members keep abreast of latest developments in accounting and auditing practices;
- ▶ Taking up issues of wider interest raised by members
- ▶ Responding to formal and informal consultations from regulators, trade bodies, and custodians of market practices
- ▶ Formulating its views and public position through its technical services staff in conjunction with the policies of the Technical Committees, and by taking soundings from members

International Auditing and Assurance Board (IAASB) Meetings

During the year the IAASB meetings were held in Spain, Washington, New York and Athens. Following are some of the important standards that were deliberated:

- ▶ IAASB 2009-2011 Strategy
- ▶ Assurance Engagements on Carbon Emissions Information
- ▶ Draft ISAE 3402, "Assurance on a Service Organization's Controls"
- ▶ "Considering the Relevance and Reliability of Audit Evidence" for issue as an exposure draft (ED)
- ▶ Related Parties
- ▶ The Auditor's Responsibilities Relating to laws and Regulations in an Audit of Financial Statements
- ▶ Proposed ISA 805 (Redrafted) Engagements to Report on Summary Financial Statements
- ▶ ISQC 1 (Redrafted), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements
- ▶ ISA 700 (Redrafted), The Independent Auditor's Report on General Purpose Financial Statements
- ▶ ISA 800 (Revised and Redrafted), Special Considerations – Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Notification of IFRS

During the year under review the SECP notified the following IFRS:

- IFRS 7 – Financial Instruments: Disclosure
- IFRS 8 – Operating Segments
- IAS 29 – Financial Reporting in Hyperinflationary Economies

Adoption of IFRS

During the year, the Council adopted IFRS 4 – Insurance Contracts and recommended its notification to SECP.

Adoption of IAASB Pronouncements

During the year following IAASB pronouncements were adopted:

- ▶ International Auditing Practice Statements (IAPSS)
- ▶ Revised IFAC Code of Ethics for Professional Accountants

Accounting and Auditing Standards for Interest Free Modes of Financing and Investment

The Committee is in the process of developing standards on the following on a priority basis:

- ▶ Standard on Profit and Loss Sharing on Deposits

- ▶ Standard on Diminishing Musharaka
- ▶ Standard on General Presentation of Financial Statements of Islamic Financial Institutions

Initial drafts of first two standards referred to above have been developed and are under consideration of the Committee.

ICAP Pronouncements

Circulars Issued to Members

During the year following circulars were issued to members:

- ▶ Statement of Compliance for Financial Statements prepared using MSE or SSE Standards
- ▶ Statement of Compliance for Companies other than Medium Sized Entities (MSEs) and Small Sized Entities (SSEs)
- ▶ All Firms on State Bank of Pakistan (SBP) Panel of Auditors
- ▶ Consolidation of Mutual Funds by Fund Manager
- ▶ Adoption of ISRE 2410 – Review of Interim Financial Information performed by the Independent Auditor of the Entity
- ▶ Brief Analysis of the Revised Fifth Schedule of the Companies Ordinance, 1984.

- ▶ Suggested Effective Date for Financial Reporting Standards for MSEs and SSEs
- ▶ Adoption of International Auditing Practice Statements (IAPs)
- ▶ Issuance of Accounting Technical Release TR-30 Final Tax Accounting and Withdrawal of TR-19 Excise Duty – Accounting Treatment (Reformatted 2000)
- ▶ Adoption of Revised Code of Ethics for Chartered Accountants issued by IFAC
- ▶ Notification of IAS 29, IFRS 7 & 8.
- ▶ ATR - 14 (Revised) Minimum Hourly Charge Out Rates and Minimum Fee for Audit Engagements
- ▶ ATR - 19 (Revised) Identification of Audit Engagement Partner in the Auditors' report on the financial statement

Disclosure Checklist for Listed Companies

Financial Statements Disclosure Checklist for Listed Companies up to June 2008 after the review of the Accounting and Auditing Standards Committee has been issued. The Checklist may be downloaded from ICAP website.

Matters under Consideration

- ▶ To develop Auditors' Report on the Internal Controls Relating to Financial Areas only
- ▶ To propose amendments to the format of Bank's Financial Statements

Review of IASB / IAASB / IESBA Pronouncements

Following discussion papers are under consideration of the Committees:

- ▶ 'IAS 19 Employee Benefits'
- ▶ 'Financial Instruments with Characteristics of Equity'
- ▶ 'Reducing Complexity in Reporting Financial Instruments'

Technical Opinions

During the year several queries on technical matters were received from various members and other institutions like SECP. Appropriate replies were sent to them. Some of the important issues/queries related to the following areas:

- ▶ Revaluation of leased assets
- ▶ Applicability of Small Sized Entities accounting Standard
- ▶ Recognition of Internally Generated Goodwill
- ▶ Change in Accounting Policy or Estimate
- ▶ Scope of Accounting Term
- ▶ Membership Card
- ▶ Accounting Treatment resulting from amendment in Prudential Regulation
- ▶ Treatment of Associate in Separate Financial Statements
- ▶ Change of Accounting Policy from Revaluation to Cost Model
- ▶ Capitalisation of Foreign Exchange Loss
- ▶ Certificate from Auditors on Free Reserves
- ▶ Replacement Cost Depreciation method for hotel industry
- ▶ Capitalisation of Start up Expenses

Interaction with Government, Regulatory Bodies and Other Stakeholders

References from IASB and IAASB of IFAC

Comments on the following exposure drafts and discussion papers were sent to IASB and IAASB:

- ▶ ISA 505, (Revised and Redrafted), External Confirmations
- ▶ ISA 620, (Revised and Redrafted), Using the Work of an Auditor's Expert
- ▶ ISA 501 (Redrafted), Audit Evidence Regarding Specific Financial Statement Account Balances and Disclosures
- ▶ ISA 520 (Redrafted), Analytical Procedures

- ▶ IAS 39, Financial Instruments: Recognition and Measurement (Exposures Qualifying for Hedge Accounting)
- ▶ ED 9, Joint Arrangements
- ▶ Proposed Improvements to International Financial Reporting Standards
- ▶ Proposed Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements
- ▶ Proposed Amendments to IFRS 2 Share-Based Payment and IFRIC 11 IFRS 2—Group and Treasury Share Transactions
- ▶ ISA 510 (Redrafted), Initial Audit Engagements - Opening Balances
- ▶ ISA 530 (Redrafted), Audit Sampling
- ▶ ISA 700 (Redrafted), The Independent Auditor's Report on General Purpose Financial Statements
- ▶ ISA 705 (Revised and Redrafted), Modifications to the Opinion in the Independent Auditor's Report
- ▶ ISA 706 (Revised and Redrafted), Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report
- ▶ ISA 800 (Revised and Redrafted), Special Considerations – Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
- ▶ ISA 805 (Revised and Redrafted), Engagements to Report on Summary Financial Statements
- ▶ Comments sent to IASB Exposure Draft on Proposed IFRS for Small and Medium – sized Entities
- ▶ Comments sent to IESBA of IFAC on proposed revised Section 290 of the Code of Ethics for Professional Accountants, Independence – Audit and Review Engagements, and Proposed Section 291, Independence – Other Assurance Engagement
- ▶ ISA 200 (Revised and Redrafted), Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing

- ▶ ISA 500 (Redrafted), Considering the Relevance and Reliability of Audit Evidence.
- ▶ ISA 210 (Redrafted), Agreeing the Terms of Audit Engagements
- ▶ ISA 710 (Redrafted), Comparative Information—Corresponding Figures and Comparative Financial Statements
- ▶ ISA 265, Communicating Deficiencies in Internal Control
- ▶ ISA 402 (Revised and Redrafted), Audit Considerations Relating to an Entity Using a Third Party Service Organization
- ▶ ISAE 3402, Assurance Reports on Controls at a Third Party Service Organization

IFAC Member Body Compliance Program - Part 3

Two years ago the Institute completed Part 2, SMO Self-Assessment Questionnaire and submitted the same to IFAC. Now IFAC has launched Part 3 of the IFAC Member Body Compliance Program. All the members and associates have been asked to begin the Part 3, Action Plan process in order to establish and implement programs and activities where further development is required.

As a member body of IFAC the Institute has provided its initial feedback to IFAC on May 24, 2008. The final confirmation of the Policy Recommendations has been submitted on July 24, 2008.

The Institute would develop action plans and submit them to IFAC in January 2009 to comply with full requirements of Statements of Membership Obligations (SMOs).

Co-ordination between ICAP and SBP

During the year following issues were under discussion between ICAP and SBP:

- ▶ Implementation of IAS 39 and IAS 40 and for Progress of Internal Control Guidelines – Implementation. The

Institute after having a joint meeting with PBA has recommended SBP to implement IAS 39 and IAS 40 fully

- ▶ Access of external auditors to the Inspection Report of a commercial bank
- ▶ ICAP has proposed to SBP to include a requirement of audit of Borrowers' Financial Statements by QCR rated firms of chartered accountants in cases of large exposures.

Co-ordination between ICAP and SECP

- ▶ Comments have been sent on Draft Group Companies Regulations issued by SECP
- ▶ As recommended by ICAP, SECP is yet to bring the format of Form 35 A in line with format given in Revised ISA 700
- ▶ Owing to the peculiar nature of implementation agreements of IPPs the SECP on the recommendation of the Institute has allowed all IPPs to capitalize foreign exchange loss until the termination of such agreements.
- ▶ Sent research paper on best practices of other countries on Transfer Pricing to SECP

Taxation and Economic Policies

The Committee on Taxation and Economic Policies developed detailed proposals on Direct and Indirect taxes and economic policies for incorporation

in the Federal Budget for the year 2008 – 2009. Some of these proposals have been incorporated in the Finance Act, 2008.

The Institute held two meetings to discuss the issues which have arisen after the promulgation of Finance Act 2008 one with Ex-Chairman FBR Mr. Abdullah Yusuf and the other with Member Direct Taxes Mr. Irfan Nadeem.

Best Corporate Reports Pakistan

For the eighth consecutive year, corporate reports for the financial year, which ended in 2007, were evaluated by the Directorate of Technical Services, and the distribution ceremony organized by the Joint Committee of ICAP and ICMAP was held on July 25, 2008.

It has been heartening to see the Companies' enthusiasm and competitive spirit with better and more creative financial statements coming up each year.

SAFA Best Corporate Reports Awards

SAFA organized the Best Presented Accounts Awards Ceremony 2006 at New Delhi, India on January 12, 2008. From Pakistan Unilever Pakistan Limited and Fauji Fertilizer got the first and second position award in the manufacturing sector. The Citizens Foundation bagged second position



Best Corporate Reports Awards 2007



Banking CFOs Get-together

award in the NGO category. Atlas Investment Bank Limited and Escorts Investment Bank Limited received Certificate of Merit award in the non-banking Financial Sector category.

Evaluation of annual report of SAFA countries for 2007 is under process and rankings would be finalized soon.

Banking CFOs Get-together

The Institute in an initiative to be more proactive and have closer link with its stakeholders in the various industries has decided to hold Industry specific forums and get-togethers. The first gathering was arranged on August 7, 2008 in which Bank CFOs were invited to discuss the current accounting and financial reporting issues being faced by them. The discussion was followed by lunch at the Institute giving an opportunity for networking to all participants.

Selected Opinions

The DTS has finalized Volume XIII of Selected Opinions issued during July 2006 to June 2007 which has been uploaded on the Institute's website.

Targets and Objectives

DTS has set various objectives and targets which it intends to achieve

during the next year. Some of them are as follows:

- ▶ Achieve full compliance of IFRS for listed companies by December 2009
- ▶ Issuance of Illustrative Financial Statements & Disclosure Checklist for Medium and Small Sized entities
- ▶ Holding roundtables / seminars in Karachi, Lahore and Islamabad to update members about the significant changes in the revised IFAC Code of Ethics for Professional Accountants which the Council of the Institute has recently adopted
- ▶ Issuance of Guidance on Mutual Funds and holding roundtables
- ▶ Carrying out research and submitting a paper to SECP on IFRIC 4 'Determining whether an Arrangement contains a Lease'
- ▶ Review of Accounting and Auditing Technical Releases
- ▶ Inviting Chief Financial Officers of Mutual funds, IPPs, and insurance companies and issuance of guidance on the basis of their feedback
- ▶ To create awareness about the importance and effectiveness of International Public Sector Accounting Standards among government institutions / public sector entities



QUALITY CONTROL REVIEW

The Quality Control Review (QCR) Program is one of the key programs of the Institute to ensure compliance with professional standards in performance of audits by the professional firms.

In compliance of Code of Corporate Governance, since 2002, in order to carry on professional work an audit firm must have satisfactory rating in review cycle before proceeding to conduct the audit. The reviews are performed by four Chartered Accountants employed on a full time basis by the Institute along with an experienced CA Consultant engaged to guide them in performing reviews and also to assist the firms to comply with ISQC 1.

The primary objective of the QCR process is to provide guidance and education to firms to improve their standards.

The Institute is fully committed to comply with the requirements of SMO-1 "Quality Assurance" for which it will submit an Action Plan to IFAC by the end of January 2009.

Reviews

During the period from July 1, 2007 to August 31, 2008, reviews of 119 audit

engagements of 53 firms at 78 office locations were carried out at Karachi, Lahore, Islamabad, Faisalabad, Multan, Sialkot, Peshawar and Hyderabad as compared to 56 audit engagements of 27 firms at 31 office locations during the period September 2006 to June 2007.

Out of 53 firms reviewed during this period, conclusion of 45 firms were that their opinions were "supported by appropriate audit evidence" while the conclusions of 8 firms were that their opinions were "not supported by appropriate audit evidence".

As on 31 August 2008, 101 practicing firms, listed on the Institute's website, have been given satisfactory QCR rating.

During the period under review, one case of professional misconduct and negligence was referred to the Investigation Committee by the Quality Assurance Board.

Quality Assurance Board (QAB)

The Quality Assurance Board (QAB) continues to work with zeal to set new standards of excellence in the profession to keep the QCR Framework in line with the international standards and best practices.

The Council in its 194th meeting held on January 22, 2008 approved the reconstitution of the Quality Assurance Board (QAB) for a term of three years up to September 2010. Chairman of the Board is a non practicing and non Council member. The Board is represented by members from big and small firms and industry. It also includes three nominees from the Securities and Exchange Commission of Pakistan (SECP) and one from the State Bank of Pakistan (SBP).

The Board met four times during the period July 2007 to August 2008 and conducted the following business, apart from reviewing the QCR reports of the above mentioned reviews:

- ▶ Finalized the roadmap for implementation of ISQC 1
- ▶ Reviewed and approved ISQC 1 Checklist for circulation to all firms
- ▶ Held roundtable meetings with practicing members at Karachi, Lahore and Islamabad to guide the members in completing the ISQC 1 Checklist
- ▶ Initiated the process of revising of QCR Framework by bringing the requirements of ISQC 1 in the review process

▶ Issued of circulars on the following topics:

- The Tone at the Top and Audit Quality
- Adoption of ISQC 1 – “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements”
- ISQC 1 Mentoring Program

Adoption of ISQC 1

The Council in its 194th meeting held on January 22, 2008, on the recommendation of the Quality Assurance Board, approved the adoption of ISQC 1 “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Services Engagements” in the following manner:

- ▶ ISQC 1 recommendatory for all firms doing audit of listed and public interest entities from accounting periods beginning on or after 1 July 2008.
- ▶ ISQC 1 mandatory for all firms doing audit of listed and public interest entities from accounting periods beginning on or after 1 July 2009.

ISQC 1 Mentoring Program

As mentioned above, the Institute adopted the ISQC 1 and communication in this regard was made to all practicing members vide DPSC&E Circular No. 2 dated February 6, 2008.

ISQC 1 is directed at how a firm organizes its practice rather than how the firm conducts individual audits. Compliance with ISQC 1 will enhance the overall quality controls and procedures implemented by the firms for performing audits and other assurance services.

In order to initiate the above compliance, ICAP has developed a questionnaire which is available at the Institute's website. This questionnaire is a tool for firms to assist them in assessing and demonstrating their compliance with ISQC 1. Members are encouraged to fill this questionnaire on self assessment basis. Roundtable meetings were held around the country in June 2008 at Karachi, Lahore and Islamabad to guide the members in completing the ISQC 1 Checklist and informing them about the details of ISQC 1 Mentoring Program.

Based on the responses to the above questionnaire, the Institute has taken the initiative to introduce a new concept of "ISQC 1 Mentoring Program" and has

engaged a senior Chartered Accountant as a consultant who along with the Institute's staff visits the firms and facilitates them in their compliance with ISQC 1.

Additionally, ICAP has also prepared an electronic ISQC 1 Manual which will provide firms with various standardized documents to comply with the requirements of this standard.

All audit firms involved in the audit of listed and public interest entities would be subject to an ISQC 1 review from July 2010.

Training Workshops for SMPs

A large number of students from SMPs attended the workshops and appreciated the Institute's initiatives and efforts for conducting these training programs for them. The Institute wishes to thank all workshop facilitators and firms for participating in the above program specially designed for the students of SMPs. The Institute also plans to use the video conferencing facilities to broadcast these workshops at Lahore and Islamabad.

Details and presentations of all the previous workshops are available at the Institute's website at <http://www.icap.org.pk/web/links/0/smpworkshops.php>

During the period under review, following workshops were conducted:

No.	Theme	Facilitator	City	Date
01	Time Management	Muhammad Bashir Juma	Karachi	27-10-2007
02	IAS-12 'Income Taxes'	Usman Ghani Akbani	Karachi	15-12-2007
03	IAS-16 'Property, Plant & Equipment'	Usman Ghani Akbani	Karachi	02-02-2008
04	The Revised Fifth Schedule	Tahmeen Ahmad	Islamabad	29-02-2008
05	Developing Soft Skills	Faris Rahan Khan	Islamabad	11-03-2008
06	ISA-200	Abbas	Karachi	15-03-2008
07	NBFC's & Notified Entities Regulations, 2007	Tahmeen Ahmad	Islamabad	17-04-2008
08	ISA 210	Abbas	Karachi	19-04-2008
09	Strategic Vision	Timelenders	Karachi	10-05-2008
10	Success through Communication	Imaad Rizvi	Islamabad	16-05-2008
11	Physical stock taking	Bilal Ali	Lahore	13-06-2008
12	Physical stock taking	Junaid Subhani	Faisalabad	25-06-2008



Hands-on Training provided to students of SMPs

International Developments

SAFA has established a Committee on Quality Control which is chaired by Syed Asad Ali Shah and assisted by Muhammad Asif Iqbal, Director Professional Standards Compliance & Evaluation of ICAP. The Committee has finalized a comparative analysis of existing QCR models in Pakistan, India, Bangladesh, Nepal and Sri Lanka based on a very detailed questionnaire. Based on the comparative analysis, the Committee will develop a model framework based on the requirements of ISQC 1 and ISA 220.

ICAP is currently providing active support to the Institute of Chartered Accountants of Sri Lanka in implementation of QCR program in their country. In this regard, one of their staff had visited ICAP for two weeks to study and learn about the QCR program of ICAP. Further, ICAP had also shared the ISQC 1 Checklist with the Malaysian Institute of Accountants.

Members Information & Education Series (MIES)

Following MIES were issued during the year for the benefit of members:

MIES-15	Review of Practical Implementation Issues of IFRS – Pakistan Case Study
MIES-16	IFAC 2007 Global Leadership Survey – Summary of Findings
MIES-17	Business Planning Guide: Practical Application for SMEs
MIES-18	Regulation of the Accountancy Profession
MIES-19	The Corporate Governance Guide – Family-owned Companies
MIES-20	Financial Reporting Supply Chain – Current Perspectives and Directions
MIES-21	Good Practice in Tackling External Fraud

MEMBERSHIP

Our membership is growing at a gradual pace. Membership of the Institute on June 30, 2008 was 4441 out of which 981 members are overseas, which accounts for 22 percent of total membership. During the year 2007-08, 303 new members were admitted to the Institute and memberships of 45 were restored, resulting in an increase of 348 members. Out of the total membership, 85.5 percent are employed in commerce and industry, financial institutions, government departments and education, and 14.5 percent are in public practice.

In order to facilitate members, Membership is planning to further expand in the following areas:

- ▶ Circulation of job opportunities to members;
- ▶ Networking opportunities for new members as well as brainstorming sessions on knowledge sharing;

- ▶ Conducting leadership and management skills programs in collaboration with senior members

The Membership Department is reaching out to identify issues faced by members, keeping them updated in different areas of interest, and providing service in an efficient manner.

ICAP also commiserates the passing away of its members:

Ch. Zulfiqar Ahmad Cheema

Syed Amjad Husain

Mohammad Younus Khan

Irtiza Husain

Nasim Akhtar Zuberi

Syed Masood Hussain

M. Ibrahim Ahmed

Jehangir Abbas

Abdul Hameed Kasbati

Minoo Rustomji Patel

Yaqub Ali

Ghulam Haider

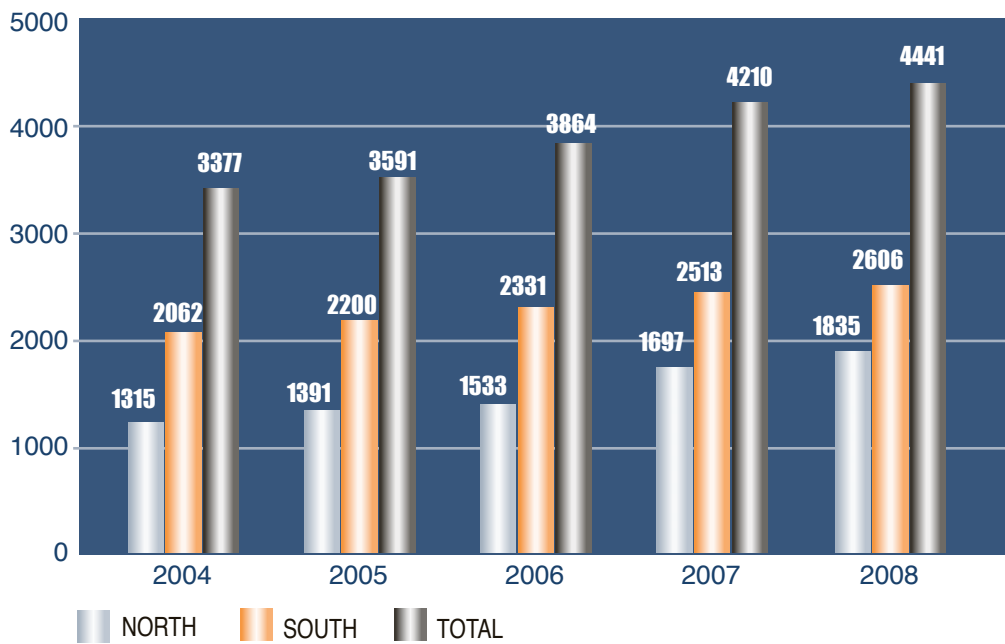


A member receiving his certificate

Statistical Information of Membership

	Associates	Fellows	Total	Associates	Fellows	Total
	June 30, 2008			June 30, 2007		
<i>Domestic</i>						
Public Practice – Sole Proprietor	53	229	282	61	232	293
Public Practice – Partnership	63	282	345	62	272	334
Commerce / Industry	1706	870	2576	1625	843	2468
Corporations	4	12	16	5	10	15
Financial Institutions / Banks	125	73	198	74	50	124
Government	7	8	15	7	8	15
Education	16	12	28	17	10	27
<i>Overseas</i>						
Non practice – Overseas	626	340	966	578	337	915
Public practice – Overseas	4	11	15	3	10	13
	2604	1837	4441	2432	1772	4204

YEARWISE GROWTH IN MEMBERSHIP



PROFESSIONAL MISCONDUCT / INVESTIGATION

The Institute continues its earnest endeavors to dispose off cases as soon as possible. A summary of the complaints received and disposed off against members in practice during last three years is as follows:

PERIOD: JULY 1 TO JUNE 30	2007-08	2006-07	2005-06
Cases at the beginning of the year	38	28	28
Complaints received during the year	16	20	19
Total Cases	54	48	47
Complaints disposed off during the year	(19)	(10)	(19)
Complaints pending at the end of the year	35	38	28

During the year Council disposed off 19 cases, out of which 15 were closed as no merit was found in the complaints, while the remaining 4 cases were dealt with as follows:

	2007-08	2006-07	2005-06
Members reprimanded by name	4	2	1
Reprimanded by name and penalty imposed	0	1	1
Members reprimanded without name	0	2	0
Members cautioned	0	0	1
Reference made to High Court	0	1	1
Total	4	6	4

AGING ANALYSIS OF COMPLAINTS PENDING AS AT JUNE 30, 2008

YEARS	2002	2003	2005	2006	2007	2008	TOTAL
No. of Cases	1	1	3	10	14	6	35

Considering the delay in disposal of cases, the Investigation Department has curtailed the proceeding period to decrease the number of cases.

CONTINUING PROFESSIONAL DEVELOPMENT (CPD)

ICAP strongly believes that ongoing professional development, knowledge sharing and expertise are essential in today's business environment and the Institute is making all possible efforts to assist members to comply with the requirements of IES-7 which mandates 40 CPD hours per year or 120 hours in a rolling period of three years for both practicing and non practicing members.

Various regional and local CPD Committees organized 73 CPD seminars/ workshops in Karachi, Lahore, Islamabad, Faisalabad, Multan and

Peshawar offering 302 CPD credit hours for members of the Institute. Last year 76 activities were held with 295 CPD credit hours.

Individual member's CPD record is available on the website. Members can view their records and plan their future CPD activities accordingly. Members can also find Frequently Asked Questions (FAQs) regarding the revised CPD Directive.

ICAP plans to initiate web based CPD programs in the coming year.



Seminar on Federal Budget 2008-09

INFORMATION TECHNOLOGY

Fully recognizing the need for strengthening the IT infrastructure of the Institute, extensive investment has been made this year on acquisition of Technology. IT Department has actively undertaken the overall development of the Institute's IT and communications infrastructure.

As part of the ongoing in house software processing of fee payment and fee information for members and students we have successfully implemented online fee collection module which is operative at all ICAP offices. The transactions are updated in real time mode in our Main Data Center at Head Office, Karachi. Remaining modules are

in the testing and implementation phase. Besides this, different MIS from Main Data Center are also accessible at all ICAP offices.

Project of digitization of documents is progressing smoothly and is expected to be completed by next year.

As part of the new system implementation this year, registration will be automated at facilitation centers in Karachi and Lahore.

Other projects on hand are Portal development, Web-based CPD and Online CPD.

PUBLICATIONS

The overall trend for niche publications has changed over the years. In the Publications Department we are trying to balance the magazine's content so that the expansion of coverage does not come at the expense of *The Pakistan Accountant's* traditional reporting on auditing, accounting, taxation, government functioning, and the economy. While maintaining core services is important to us, innovation is equally desirable. The subject matter of some of our pages has changed.



These clumped together under IN-HOUSE are now devoted to international business news, organizational and global issues, book



reviews, and high culture such as the occasionally occurring ARTS section.

Most importantly, we rely on feedback from our readers. In

an email from Geneva, one overseas reader wrote this about *The Pakistan Accountant*:

"I liked your magazine because of the easy on the eye layout and the relaxed style of journalism which makes it easy to read."

Archiving of The Pakistan Accountant

Publications is pleased to announce that selected articles and editorials of the past 20 years from *The Pakistan Accountant* will soon be archived on ICAP's website. Readers will be able to search the archives using a topic bibliography.

We are excited about the prospect value that this will bring to our readership by gaining access to a wealth of knowledge and wisdom.

ICAP Page on GMB Resource Database

GMB Publishing Ltd.,UK is a publishing concern for business and investment guides for various countries. They are in the midst of launching GMB Research, a new online resource, which includes Pakistan in its Asia coverage. To build up this resource they have commissioned set topics in finance, legal, and sectoral categories for South East Europe, the Middle East and India as well as for local firms in these regions. ICAP will be collaborating with GMB Resource for an upcoming publication on accounting and auditing standards in Pakistan.

ICAP will be given a unique page on the GMB database, accessible via our articles. The site will accommodate ICAP's blurb and provide links to ICAP's website, logos, etc. This collaboration will give a significant amount of exposure to the Institute.

HUMAN RESOURCES



The Institute continues to have very cordial relations with all its employees and believes in investing time and effort in resolving HR issues. This year a sizeable number of staff was sent on various professional courses and training sessions.

Permanent staff strength

at the year-end was 170. ICAP is committed to being an equal opportunities employer. Our employment policy seeks to ensure that all employees receive fair treatment and equal opportunities, and that there is no discrimination on the grounds of gender, marital status, age, religion, ethnic origin or disability.

The Institute is committed to enhance the quality of the work environment and develop and retain a team of dedicated and competent staff to accomplish the Institute's vision.

ACKNOWLEDGEMENT

The Council would like to place on record its sincere gratitude to all members in general and those who served in various committees of the Institute in particular for their support, dedication and help they extended in policy formation.

The Council would also like to thank the Federal Government, the Securities and Exchange Commission of Pakistan, Federal Board of Revenue, the State Bank of Pakistan and other government organizations for their continued support. The Council expresses its appreciation to Mr. Afzal Munif and Mr. Adnan Zaman the auditors of the Institute, as well as Directors and other staff of the Institute for their devoted services.

By order of Council

Fazal H. Saifee
Secretary
Karachi
September 22, 2008