

Council's Report



The Council of the Institute of Chartered Accountants of Pakistan is pleased to present its annual report together with the audited financial statements of the Institute for the year ended June 30, 2010.

Your Council soon after taking charge in September 2009, held focused sessions to determine the goals of the Council for the next four years. The Council obtained members' feedback and ideas using various means including nationwide Meet Your Representative Sessions, web based surveys, focused group sessions, etc. After considering the valuable ideas floated by the honourable members, the Council has charted a long term plan which places foremost importance on the following matters:

- ▶ Reviewing education and examination policies.
- ▶ Accelerating our efforts towards mutual recognition with renowned Institutes internationally.
- ▶ Further strengthening governance and transparency.
- ▶ Bringing further improvement in services to members.
- ▶ Encouraging active engagement of the members with their Institute.

The Report of the Council includes matters relating to major plans implemented and those in progress so that members are fully apprised of the manner in which their Council is moving ahead in the best interest of the Institute.

Education & Examination Polices

Education and Training

Revisiting the Education and Training Programme of ICAP

The Education and Training Committee initiated the process of revisiting the education and training scheme of the Institute. The following areas were specifically considered by the Committee:

- ▶ Curriculum and syllabus.
- ▶ Entry requirements.
- ▶ Standard of PPT.
- ▶ Role of RAETs.
- ▶ Exemptions and equivalencies.
- ▶ Industrial training.
- ▶ Duration of training period.



In addition to seeking input from the members of the Committee who have diverse experience in education, practice, industry, business and the public sectors, the Committee also sought input from other stakeholders of the Institute who have been through the system and can appreciate its strengths and weaknesses. Such input was obtained through:

- ◆ web based online survey of members; and
- ◆ focused group sessions with students, RAETs and MRTs.

The Committee has recently formalised its recommendations for the consideration and approval of the Council.

Students' Endowment Fund

The Students' Endowment Fund is a beacon of hope for deserving young students who require support to finance their education expenses to enable them to work towards

achieving the CA qualification. In the year 2009-10 the Institute spent Rs. 5 million towards supporting 244 students through payment of their tuition fees.

Presentation Skills Competition

To excel in one's professional life, technical and soft skills go hand in hand. ICAP's soft skills competitions aim to encourage the students in developing these skills for their professional development.

As in the past, the Institute had organised a Presentation Skills Competition in October 2009 for its trainee students. A Debate and Writing Skills Competition is expected to be held during the quarter ending September 2010 for students from the Full-Time Stream.

The names of the first three position holders in the Presentation Skills Competition are given below:

City	Position	Name	Training Organization
Karachi (Total number of participants = 15)			
	Winner	Muhammad Sarim Irfan	A.F. Ferguson & Co.
	1st Runner up	Faisal Zawwar	Ernst & Young Ford Rhodes Sidat Hyder
	2nd Runner up	Asim Bashir Khan	A.F. Ferguson & Co.
Islamabad (Total number of participants = 12)			
	Winner	Riffat Khattak	A.F. Ferguson & Co.
	1st Runner up	Atiq-ur-Rehman	Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq
	2nd Runner up	Zafar Saleem Abdi	M. Yousuf Adil Saleem & Co.
Lahore (Total number of participants = 13)			
	Winner	Fazal-e-Abbas	A.F. Ferguson & Co.
	1st Runner up	Saqib Riaz	Ahmed Junaid & Co.
	2nd Runner up	Noor Shuja	KPMG Taseer Hadi & Co.



Karachi



Islamabad



Lahore

Career Counselling Sessions

The Institute is considering the setting up of a career counselling desk at its premises to enable students to seek guidance for considering chartered accountancy as a 'career choice'. It is expected that senior chartered accountants would volunteer as 'career counsellors' for this purpose.

During the year 2009-10, the ICAP's Education Department has conducted 69 career counselling sessions at different schools and colleges, and participated in two education expos, the details of which are as follows:

Career Counselling

	Number of Institutes Visited	Number of Students Counsellled
South		
Hyderabad	3	360
Karachi	21	1,405
	24	1,765
North		
Bahawalpur	4	1,375
Islamabad	13	1,690
Lahore	8	425
Multan	10	1,965
Pasoor	3	950
Peshawar	1	300
Sialkot	6	1,150
	45	7,855
Total	69	9,620



Education Expos

Expo	Number of Students Counsellled
Dawn Education Expo 2010 (Karachi, Lahore and Islamabad)	1,300
Educational Scenario Expo (Gujranwala, Faisalabad and Sargodha)	300
	1,600

Training Organizations (TO)

During the year, seven more firms were registered as Training Organizations.

New Registered Accounting Education Tutors (RAETs)

Three more educational institutions were included in the list of approved RAETs during the year.

Future plans

The Institute recognizes the fact that the quality of education and passing percentage are directly linked with effective learning material and a well-trained faculty. Therefore, resources are being mobilized to launch 'train the trainers' programmes and mentoring programmes for members responsible for training.

To reach out to a large number of students and to enable them to programme their exam preparation according to their own schedule, the Institute is developing e-learning modules and training of resource persons for this purpose.

Examinations

During the year, the examination policy was modified in a significant manner. Effective June 1, 2010 a candidate who has secured passing marks in any paper would be able to retain that passing status irrespective of the marks obtained in any other paper attempted. Further, candidates appearing in the foundation and intermediate examinations (Modules A to D), would be permitted a maximum of six attempts for passing each module. Candidates appearing in the Final Examinations (Modules E and F) would be allowed a period of ten years to pass both the modules from the eligibility of first attempt.

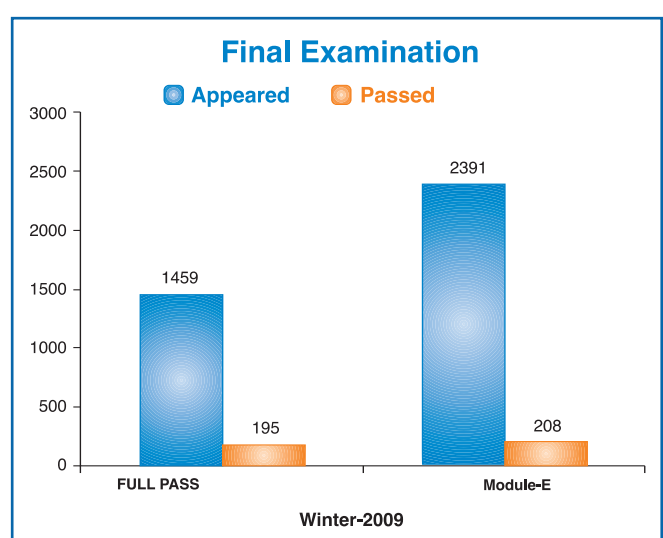
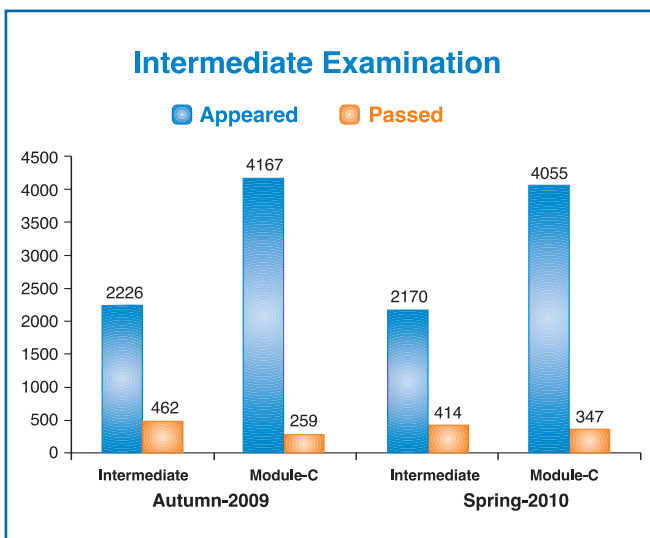
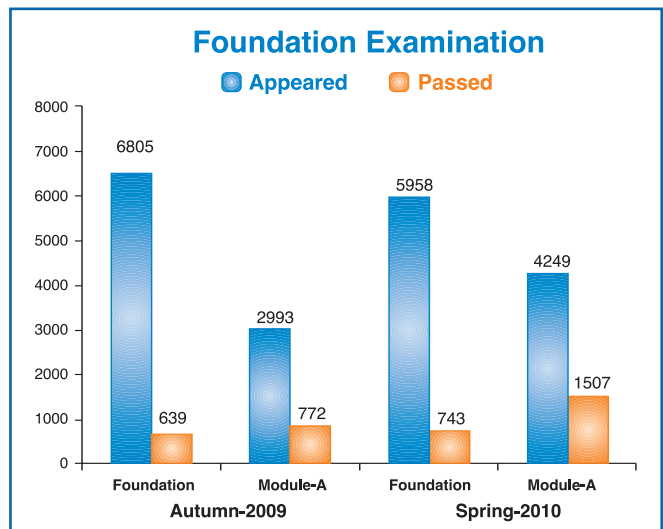
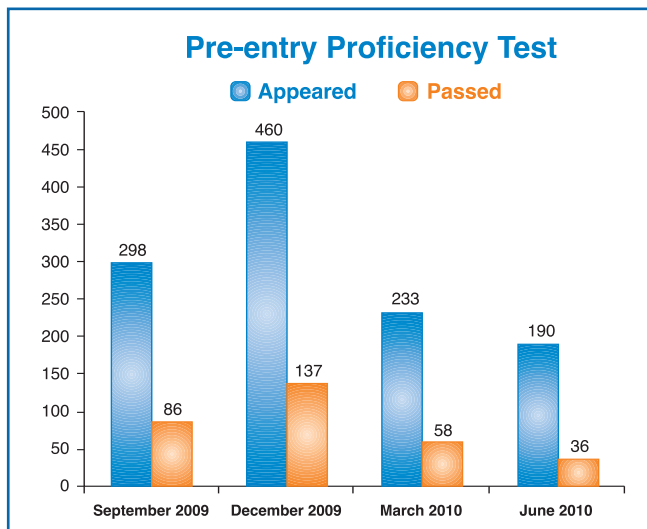
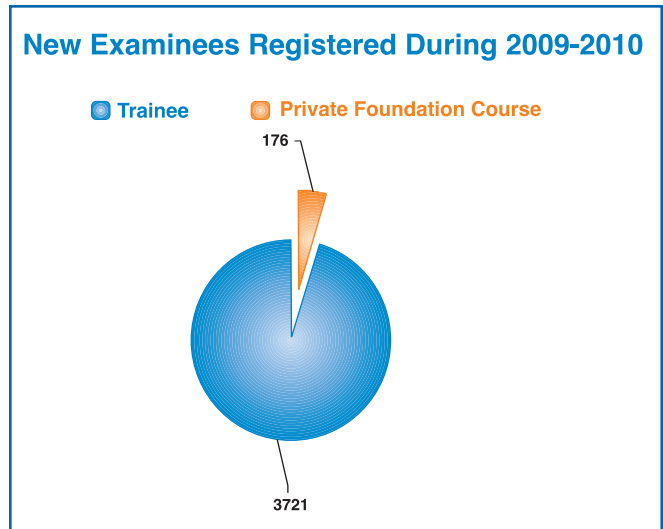
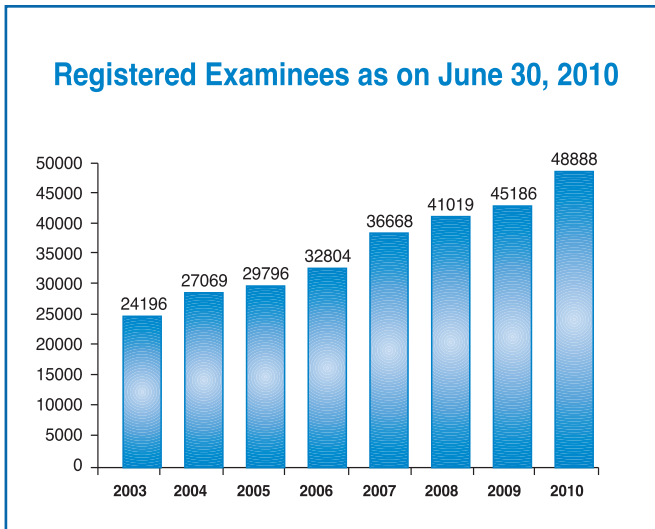
In the 'Meet Your Representative', sessions arranged during the year by the Council with the members, a number of views were expressed on various matters related to the examination process.

On the direction of the Council, the Examinations Committee has held a number of meetings to deliberate on these issues and is in the process of finalizing its recommendations in co-ordination with the Education and Training Committee. Those recommendations are expected to be discussed in the Council shortly.

The number of students who were admitted in the examinations during the year 2009-10 are as follows:

	2009-10	2008-09
Foundation and Intermediate	25,728	25,034
Final	8,153	7,258
IFRSs Diploma	10	18
PPT	1,276	1,681

Other statistics relating to the number of registered examinees and their performance at the recent examinations is set out below in the form of charts:



Awarding of Gold Medals and Merit Certificates

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Gold medals and merit certificates were awarded to the following students during the year 2009-10:

Gold Medals

Final Examinations

WINTER 2009

1. **Anum Mohsin**
 - ▶ ICAP Gold Medal (Dewan Mushtaq Group)
 - ▶ S A Salam Memorial Gold Medal
2. **Mohammad Khurram Jah**
 - ▶ Irtiza Husain Gold Medal

Intermediate Examinations

AUTUMN 2009

1. **Syeda Mehrunnisa**
 - ▶ ICAP Gold Medal (Ameena Khatib Foundation)
2. **Hassaan Hamid**
 - ▶ Kasbati Memorial Gold Medal

SPRING 2010

1. **Muhammad Uzair Hashmi**
 - ▶ ICAP Gold Medal (Ameena Khatib Foundation)
2. **Ammar Ahmed**
 - ▶ Kasbati Memorial Gold Medal



Anum Mohsin

Merit Certificates

Foundation and Intermediate Examinations

AUTUMN 2009

1. **Ayesha Nihal**
 - ▶ Functional English
2. **Hamza Hasan**
 - ▶ Quantitative Methods
3. **Rana Zuhaib Ali**
 - ▶ Introduction to Economics and Finance
4. **Shahab Ahmed Essani**
 - ▶ Introduction to Financial Accounting
5. **Aemon Khan**
 - ▶ Mercantile Law
6. **Syeda Mehrunnisa**
 - ▶ Financial Accounting
7. **Hassan-e-Mujtaba**
 - ▶ Taxation
8. **Salman Javaid Mirza**
 - ▶ Business Communication and Behavioural Studies
9. **Hassaan Hamid**
 - ▶ Company Law
10. **Ali Abbas**
 - ▶ Auditing
 - ▶ Cost Accounting
11. **Muhammad Bilal Chaudhary**
 - ▶ Information Technology



Syeda Mehrunnisa



Hassaan Hamid



Mohammad Khurram Jah



Ammar Ahmed



M. Uzair Hashmi

SPRING 2010

1. **Kinza Bashir**
 - ▶ Functional English
2. **Muhammad Moez Siddiqui**
 - ▶ Quantitative Methods
3. **Mazahir Raza**
 - ▶ Introduction to Economics and Finance
4. **Bushra Farooq**
 - ▶ Introduction to Financial Accounting
5. **Mazahir Raza**
 - ▶ Mercantile Law
6. **Muhammad Uzair Hashmi**
 - ▶ Financial Accounting
7. **Sabih Siddiqui**
 - ▶ Taxation
8. **Sana Shamim**
 - ▶ Business Communication and Behavioural Studies
9. **Ammar Ahmed**
 - ▶ Company Law
 - ▶ Cost Accounting
 - ▶ Information Technology
10. **Mohammad Hassan Ali**
 - ▶ Auditing

Mutual Recognition with Local and International Institutes

Arrangement for mutual recognition with International Institutes

The Institute is in regular communication with the Institute of Chartered Accountants in England and Wales (ICAEW) for obtaining further exemptions leading to mutual recognition.

The Vice President, North, recently visited ICAEW to seek their technical support in improving the education, training and examination system of the Institute.

The Vice President, South, met with the Vice President - Education, of the Canadian Institute of Chartered Accountants (CICA) in Toronto in March 2010 to initiate discussions on arrangement leading to mutual recognition. International Qualification Appraisal Board (IQAB) of Canada has commenced the process of evaluation in response to formal proposal sent to CICA in April 2010. The Institute has been informed by IQAB that it will revert back shortly for any additional information.

Recognition for CA Intermediate students on reciprocal basis

At national level, the Institute has approached the Lahore University of Management Sciences (LUMS), the Institute of Business Administration (IBA), the University of Lahore and other universities with a good ranking from the Higher Education Commission (HEC) to permit credits in their graduate programmes to the CA Intermediate students, to enable them to obtain a graduation degree. The University of Lahore has launched a special degree programme for CA Intermediate students. We are also exploring the possibility of integration of degree programmes of LUMS and IBA with chartered accountancy. This integration can possibly be done by offering equivalencies to various papers of their degree programme vis-à-vis the papers of CA Intermediate.



Governance and Transparency



Formation of the Audit Committee

The Council has established an Audit Committee to assist it in fulfilling its oversight responsibilities in respect of integrity of financial statements, efficacy of risk management and internal control, compliance with legal and regulatory requirements and monitoring and reviewing the effectiveness of the internal and external audit processes.

The Audit Committee comprises of five members, three of whom including the Chairman of the Committee, are independent of the Council. The report of the Audit Committee is annexed.

Internal Audit Function

An independent Internal Audit Function has been established by the Council to assist the Audit Committee in the effective discharge of its functions and responsibilities in accordance with its terms of reference. The Head of Internal Audit reports functionally to the Audit Committee and administratively to the President. The function is governed through a duly approved Internal Audit Charter.

Publication and issue of Half-Yearly Financial Statements

To strengthen corporate governance and transparency, the Institute has for the first time prepared its half-yearly financial statements. These were circulated to all the members along with a limited scope review report of the auditors.

Operation Report

As a part of good governance, the concept of a monthly Operation Report has been introduced at the Institute whereby Departments which do not directly report to any committee i.e. IT, HR, Finance and Membership departments are now submitting a report of their activities each month.

Committees and their Terms of References

In the current year the Terms of References (TORs) of all committees have been finalized and placed on the Institute's website.

Formal Report of International Visits

The Council has approved a policy whereby any person nominated by the Council to attend any international event would be required to submit a formal report within fifteen days of his return. The said report will be circulated to the relevant committee for their information and input, if any. The report will then be presented in the immediate Council meeting for its consideration and appropriate action.

Formation of New Committees



During the year, the following new Committees have been formed by the Council.

- (i) *Human Resource (HR) Committee* has been set up to evaluate and recommend promotions, appointments, transfers, annual appraisal and increments of directors and other members of the senior management for the final approval of the Executive Committee/Council.
- (ii) *Overseas Coordination Committee* has been established to deal with matters relating to our overseas members, such as recognition of their qualification at the relevant international institutes and dissemination of CPD activities.
- (iii) *Central Building Committee* will take up matters relating to acquisition and disposal of lands and construction of buildings for the Institute in the major cities of Pakistan.
- (iv) *Building Committees - North and South* will oversee approval and incurrence of all building expenditure in their respective regions and will report to the Central Building Committee.
- (v) *Employment Committee* - will facilitate the members in the hiring and placement locally and abroad.

Styling of Firms

Services to Members

For the institutional development of firms, the Council has revised its Directive 4.06 'Styling of Firms' to allow the firms to style themselves under abbreviated names of their partners.

Limited Liability Partnership (LLP) Act

The Task Force has reviewed and approved the draft LLP Act and sent it to an eminent lawyer for comments. Following receipt of comments from the legal counsel and after consideration and approval of the Council, the draft will be forwarded to the relevant quarters for its approval.

Following the enactment of the LLP Act, it is expected that professionals such as Chartered Accountants, Actuaries, Lawyers, Engineers or Doctors would be permitted to form a Limited Liability Partnership. Similarly, venture capital companies and private equity funds are also likely to benefit from the implementation of this concept.

Alternate Dispute Resolution Forum

In order to support members that suffer from having their time and money tied up in legal disputes, the Council has principally approved the creation of an Alternate Dispute Resolution (ADR) Forum at ICAP. The ADR is expected to provide an alternative recourse to individual members and firms of Chartered Accountants to help preserve business relationships and assist parties in an effort to reach a mutually acceptable solution to a dispute. The modalities of the ADR are being drafted and will be circularized to the membership in due course of time.

PERN 2 for Students and Members

The Council believes that it is crucial for IT to be integrated within the Institute's overall strategy, as its main role is to facilitate members and students and add value to the Institute's ongoing activities.

Therefore, the Council in its 215th meeting decided to acquire PERN 2 facility for members and students. This facility will enhance the knowledge base of the members and students by giving them access to digital libraries containing leading publications, reading material, books, research and discussion papers etc., of international universities, colleges and other institutions of repute.

PERN 2 is the largest nationwide terrestrial network with point of presence located at the top educational and research institutions and regional centres of Higher Education Commission in all major cities of Pakistan. PERN 2 will also provide access to international seminars and lectures conducted locally and internationally through

video conferencing. This facility would be also available for overseas members.

Our application for the connection to the PERN 2 facility is under process. The initial survey has been completed and the facility is expected to be available soon.

e-IFRS

ICAP has collaborated with the IASB/IASC Foundation to allow ICAP members, unlimited access to e-IFRS (IFRS online version) at a much reduced rate of Rs. 400. This facility is normally available to individuals for GBP 200/- per annum.

Job Placement Portal

Members seeking better placements would be able to register their details on this portal using their login ID and password.

Employers will be requested to send their requirements for placement on the portal. These requirements would be matched with the details of members who have registered themselves for a job.

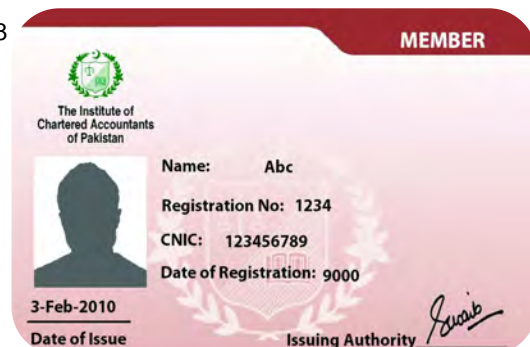
The confidentiality of members' information shall not be compromised and no resume would be forwarded to any employer without the prior consent of the concerned individual.

This portal is expected to be available to members in the last quarter of 2010.

Introduction of Membership Cards

With security being a matter of great concern for all of us, the Institute has recently begun issuing ITags to members. The ITag will be the Institute's membership identification card. With an active barcode at the back, the ITag is being issued as a means of identification and as authorization for various benefits and privileges, like the recent special discount offer by Ufone, PTCL and Microsoft, to our members and students, and also facilitating members to obtain memberships of clubs at discounted rates.

2,088



members had received their cards as of June 30, 2010. The remaining members are requested to apply for their cards at the earliest.

Facilitation for ICAP Members and Students

In its endeavor to facilitate members and students to obtain significant discounts and benefits from facilities from renowned businesses, clubs and organizations, the Institute has entered into arrangements with Royal Palm Golf & Country Club, Lahore, Royal Rodale Club, Karachi, Ufone, PTCL, ChenOne, and Microsoft Certified Gold Partner. Details of such facilities have already been communicated to the members through the monthly newsletters and are available on ICAP's Website.

Benevolent Fund



The Benevolent Fund was established in December 1972 to provide financial assistance and grants to deserving members in financial distress, as well as families of the deceased members to enable them to maintain a respectable lifestyle, support education of their dependent children, marriage of their daughters and to address their medical needs. The Fund is governed by an independent Management Committee consisting of 16 members. The Chairman of the Fund made a presentation before the Council in January 2010 outlining the Fund's future activities.

In response to the Fund's call for support, the Council has approved a sum of Rs. 1 million to strengthen the Benevolent Fund which is over and above the annual subscription. In view of its enhanced activities, a separate secretariat has been provided to the Benevolent Fund. A report from the President of the Benevolent Fund is attached.

Quality Assurance Board

In 1987, the Council of the Institute constituted the Quality

Control Review (QCR) Committee with the key objective of establishing a quality control review framework in respect of audits of financial statements conducted by the practicing firms. To bring more transparency and independence the QCR Committee was transformed into a Board in 2005 with the induction of outside independent members. Currently the Board has thirteen members of which seven are independent members i.e. three are from SECP, one from SBP and three are from the Industry including its Chairman. The detailed report of the Quality Assurance Board is annexed.

Technical Services

Through the various sub-committees of the Professional Standards and Technical Advisory Committee (PSTAC) the Directorate of Technical Services (DTS) is proactively supporting and assisting members in practice and industry and is playing its due role in the formulation of legislation and influencing decision making through:

- developing guidance and papers on best practices;
- contributing technical update material to help members keep abreast of latest developments in accounting and auditing practices;
- addressing issues of wider interest raised by members;
- responding to formal and informal consultations from regulators, trade bodies and custodians of market practices; and
- formulating views on matters of professional interest through its technical services staff in consultation with the members of PSTAC and its sub-committees and through consultation with the membership at large.

Asian-Oceanian Standard-Setters Group

The Asian-Oceanian Standard-Setters Group (AOSSG) members have adopted a Memorandum of Understanding which was signed by 16 countries. Pakistan is represented by ICAP on this group.

The objectives of the AOSSG are:

- (a) promoting the adoption of, and convergence with, IFRSs by jurisdictions in the region;
- (b) promoting consistent application of IFRSs by jurisdictions in the region;
- (c) coordinating input from the region to the technical activities of the International Accounting Standards Board; and
- (d) cooperating with governments and regulators and other regional and international organizations to improve the quality of financial reporting in the region.

ICAP is actively participating in the AOSSG's working groups on Islamic Finance and Leases.

Committee on Accounting and Auditing Standards for Interest Free Modes of Financing and Investments

The Committee is in the process of developing standards on the following subjects:

- ▶ Profit and Loss Sharing on Deposits
- ▶ Diminishing Musharaka
- ▶ Musharaka
- ▶ General Presentation of Financial Statements of Islamic Financial Institutions

ICAP Pronouncements

Circulars Issued to Members

During the year, the following circulars were issued to members:

- ▶ Outsourcing of Tax Audit to Chartered Accountants for the Tax Year 2008
- ▶ Banking Companies - Tax Charge on Irrecoverable Debt
- ▶ Questionnaire on Tax Audit
- ▶ Draft Auditing Standard 1 - An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements (AS-1)
- ▶ Guidelines for Special Review of the Banks' / DFIs' Internal Control over Financial Reporting Programme
- ▶ Financial Reporting Guidelines for Non-Government / Non-Profit Organizations engaged in Micro Finance
- ▶ Revised Format of Auditors' Review Report on Interim Financial Information and the Statement of Compliance
- ▶ Exposure draft of Islamic Financial Accounting Standards on Profit and Loss sharing on deposits

Details can be viewed on ICAP's website:
<http://www.icap.org.pk/web/links/0/circulars.php>

Matters under consideration

- ▶ Gap analysis between IFRSs and disclosure requirements for NBFCs, Modaraba and Insurance Companies
- ▶ Adoption of IFRS 1 and IFRS 9
- ▶ Adoption of IFRS for SMEs
- ▶ Revision of TRs and ATRs
- ▶ Revision of the Auditors' Report Format in

- ▶ accordance with ISA 700
- ▶ Review of the Auditors' Report on Consolidated Financial Statements
- ▶ Developing Auditors' Report on Audits of Retirement Benefit Funds
- ▶ Adoption of the revised IFAC Code of Ethics July 2009
- ▶ Developing of Accounting Regulations and Financial Statements formats for Life Insurance Companies

Selected Opinions

Selected Opinions volume XV containing opinions issued during the period July 2009 to June 2010 has been uploaded on the Institute's website.

Technical Opinions

During the year, several queries on technical matters received from various members and other institutions, were responded appropriately. Some of the important issues covered in those responses are as follows:

- ▶ Change in accounting policy or prior period error
- ▶ Guidance on accounting for specie dividend issue by a subsidiary company
- ▶ Presentation / disclosure requirements (investments - held-to-maturity)
- ▶ Desktop revaluations in terms of IAS 16 (Property, Plant and Equipment)
- ▶ Investment in subsidiary companies incorporated under section 42 of the Companies Ordinance, 1984
- ▶ Opinion on Appointing an External Auditor Providing Non-Assurance Services
- ▶ Requirement to obtain NOC from the Retiring Cost Auditor
- ▶ Query related to section 86 of the Companies Ordinance, 1984 and WPPF
- ▶ Non-maintenance of proper books of account by a company and modification of the auditors' report
- ▶ Accounting for sugar sales by the sugar industry
- ▶ Modification of the audit report on account of disagreement with management on inappropriate accounting methods
- ▶ Clarification regarding half yearly review
- ▶ Enquiry from SECP on Business Combination

Details can be viewed on ICAP's website.

Review of IASB Pronouncements

Following Exposure Drafts are at present under review:

- ▶ Conceptual Framework for Financial Reporting: The Reporting Entity
- ▶ Defined Benefit Plans-Proposed amendments to IAS19
- ▶ Measurement Uncertainty Analysis Disclosure for

- Fair Value Measurements
- Revenue from Contracts with customers

Comments on the following exposure drafts were sent to IASB:

- Fair Value Measurement
- Classification of Rights Issue (Proposed amendment in IAS 32)
- Financial Instruments: Classification and Measurement
- Rate Regulated Activities
- IFRS Improvements
- Measurement of Liabilities in IAS 37
- Management Commentary
- Financial Instruments-Amortized Cost and Impairment
- Fair Value Option for Financial Liabilities

Review of IAASB Pronouncements

The following pronouncements are at present under review:

- ISAE 3420, Assurance Reports on the Process to Compile Pro-forma Financial Information included in a Prospectus
- Proposed IPSAS on Improvements to IPSASs
- Proposed IPSAS on Service Concession Arrangements: Grantor

Co-ordination between ICAP and SBP

During the year, the following issues were under discussion between ICAP and the State Bank of Pakistan:

- Implementation of IAS 39 and IAS 40
- Progress on implementation of Internal Control Guidelines
- Audit of PLS rates
- Issuance of Management Letters
- Changes in IAS 1 - Presentation of Financial Statements

Co-ordination between ICAP and SECP

During the year, the following issues remained under discussion between ICAP and SECP:

- Revision in Audit Report format as given in Form 35
- Consolidation of mutual funds
- Amendments in Companies Ordinance 1984 and its Fourth Schedule, to align them with the requirements of IFRS
- Revision in panel of auditors for Insurance companies and Modarabas

- Induction of non-CAs as partners in an audit firm - Amendment in Section 254(2) of the Companies Ordinance, 1984.
- Requirement of initialling the financial statements by auditors under the Listing Regulations.

Best Corporate Report Awards 2009

For the tenth consecutive year, corporate reports for the financial year 2009 were evaluated by the joint committee of ICAP and ICMAP. The Awards ceremony for the year 2009 is expected to be held soon.

SAFA Best Presented Accounts Awards

SAFA organized the Best Presented Accounts Awards Ceremony 2008 in Dhaka, Bangladesh on November 5, 2009. From Pakistan, Siemens (Pakistan) Engineering Company Limited was declared the 2nd runner up on an overall basis among all the sectors.

The following Pakistani companies earned positions in the SAFA Best Presented Accounts Awards 2008:

- Siemens (Pakistan) Engineering Company Limited - Winner in the Manufacturing sector
- Crescent Steel & Allied Products Limited - 2nd Runner up in the Manufacturing sector
- Hinopak Motors Limited - 2nd Runner up in the Hospitality, Health, Transport, Shipping etc., sector
- The Citizens Foundation - 2nd Runner up in the Non-Governmental Organizations sector

Following Pakistani companies received Certificates of Merit in their respective categories:

- International Industries Limited
- Atlas Honda Limited
- Askari Bank Limited
- Allied Bank Limited
- Faysal Bank Limited
- IGI Insurance Limited
- Atlas Insurance Limited
- Arif Habib Securities Limited

Evaluation of annual reports of SAFA countries for 2009 is in process and rankings are expected to be finalized soon.

Taxation Committee

Federal Budget Proposals 2010-2011

The Committee on Taxation developed detailed proposals on Direct and Indirect taxes for incorporation in the Federal Budget for the year 2010-11. These were sent to Federal Board of Revenue, Finance Ministry and the Federal Cabinet.

The proposals were aimed towards broadening tax base; improve revenue collections, confidence building and simplification and removal of ambiguities in taxation laws ultimately leading towards promotion of tax culture.

Tax Audit

Following the signing of Memorandum of Understanding (MoU) with the FBR in June 2009 for outsourcing of tax audits to Chartered Accountants, ICAP developed a Tax Audit Framework (TAF) which contains guidelines to be followed by firms of chartered accountants for conducting the tax audit.

Subsequent to the issuance of TAF, a process of selection of tax auditors commenced in January 2010 wherein only those firms were considered for selection which had been given a satisfactory Quality Control Rating by the Institute.

ICAP representatives had follow up meetings with Chairman FBR and other senior officials to discuss and resolve various issues which ICAP members were facing. The FBR officials agreed to resolve the hurdles which interalia included non-payment of advance fee, logistical and interpretational issues. The FBR reiterated its commitment to the process and stated that the Board wishes to see the success of this exercise in the national interest and have professional support from the CA profession.

Seminar on Tax Audit Framework

A seminar was held at ICAP Karachi on January 16, 2010. It was attended by FBR/tax officials and members at large. As planned, seminars on Tax Audit Framework were also held in other major cities in Lahore on January 19 and in Islamabad on March 25, 2010.



Financial Sector Committee

During the year, four meetings of the Committee were held. In addition, two meetings with State Bank of Pakistan (SBP) and the Pakistan Banks' Association (PBA) were jointly held to discuss the following:

Implementation of Internal Control Guideline

Following the issuance of the 'Guidelines on Internal Control' by the SBP in May 2004 and keeping in view the instructions issued by SBP from time to time the Committee developed a 'Guideline for Special Review of the Banks' / 'DFI's' Internal Control Over Financial Reporting (ICFR) Programme', at the request of SBP, so that reviews could be conducted by the banks'/DFIs' external auditors in accordance with a uniform basis. The guidelines were issued by the

Institute in March 2010. Further, the Institute also issued an exposure draft on Auditing Standard 1 'An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statement'.

The banks /DFIs who have completed all stages of the ICFR programme would be audited under Auditing Standard 1, whereas those banks /DFIs who are in mid stream of implementation of their ICFR programme would be reviewed under the aforesaid guidelines issued by the Institute.

Implementation of IAS 39 by Banks and DFIs

During the year, the matter was discussed with the Pakistan Banks' Association (PBA) and they were of the view that the matter should be reconsidered in 2011.

Further, a Committee has been formed consisting of different stake holders including representation from banks, the PBA and the Insurance Association of Pakistan to consider adoption of IFRS 9 which will ultimately replace IAS 39 by 2013.

Public Sector Committee

Last year, the Public Sector Committee (PSC) was constituted by the Council to serve public interest by promoting adherence to high quality financial reporting public sector standards, furthering the convergence of such standards and providing guidance for financial information reported by the public sector.

The objective is to create awareness about the importance and effectiveness of International Public Sector Accounting Standards (IPSAS) among government institutions / public sector entities and recommend and promote its acceptance. It also aims at providing guidance on issues relating to governance and audit of public sector entities.

Following matters are under consideration by the Committee:

- ▶ Recommendations to be sent to the Ministry of Finance, Government of Pakistan for:
 - ◆ Consolidation of corporate govt. controlled entities
 - ◆ Long term sustainability of public finances
 - ◆ Corporate Governance in public sector
 - ◆ Reconciliation of public debt
- ▶ Arranging seminars for public sector entities in collaboration with Audit and Accounts Training Institute (AATI).
- ▶ The Issue related to Good Corporate Governance in public sector

Economic Advisory Committee

Economic Advisory Committee (EAC) was formed by the Institute to act as a think tank on major economic issues facing the country and advise the Government and other agencies on possible measures. A number of issues have been discussed.

Three meetings of EAC were held during the year under review. Following matters are on the Committee's agenda:

- ▶ Issues relating to Afghan Transit Trade
- ▶ Issues relating to Money Changers and their role in foreign currency flows
- ▶ Circular Debt
- ▶ Recommendations relating to Monetary Policy:
 - (a) Direction of Monetary Policy
 - (b) Calculation of interest rate
 - (c) Control over inflation in the economy
- ▶ Gas pricing formula of Pak Iran gas pipeline project
- ▶ Rental Power Projects viability
- ▶ Issues in the Agricultural Warehousing Sector of Pakistan

Investigation

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

	2009-10	2008-09	2007-08
Cases at the beginning of the year	20	35	38
Complaints received during the year	10	04	16
Complaints disposed off during the year*	(8)	(19)	(19)
Complaints pending at the end of the year	22	20	35

*DETAILS OF CASES DISPOSED OFF			
No action as cases were found without merit	5	15	15
Removal of name	-	1	-
Members reprimanded by name	-	2	4
Members reprimanded without name	2	1	-
Student blacklisted	1	-	-
Total	8	19	19

AGING ANALYSIS OF COMPLAINTS PENDING AS AT JUNE 30, 2010	
Years	No. of Cases
2002	1
2005	1
2006	6
2007	1
2008	3
2009	7
2010	3
Total	22



Information Technology

ICAP continued its efforts to modernize and strengthen IT infrastructure of the Institute.

Key IT achievements for the year are:

Implementation of Task Management System at ICAP Offices

The Task Management System Software is integrated with the 'Contact us' panel on website. This software efficiently handles all queries raised by members, students and any individual through website, phone, fax and e-mail. Task Management system is expected to significantly improve the overall operational capacity of the Institute.

Enhancement of ICAP Portal

ICAP portal has been enhanced with features of online updating of members' profile and Form 'C' for practicing firms. Besides, members can view video recordings of CPD events through the portal.

Upgrade of Video Conferencing Facility at Karachi, Lahore and Islamabad

Video conferencing facilities at Karachi, Lahore and Islamabad offices have been upgraded with 2MB fibre optic connectivity and two 52" LCD TVs which have been installed at every station.

This upgrade has significantly improved the overall quality of sessions. Seminars conducted at Karachi, Lahore and Islamabad offices can be telecast live at other stations. All committee meetings mostly except those of Standing Committees are organised using this facility. This has reduced travelling time and cost of our members & Institute respectively. This facility has been offered to our members at all these three places at discounted rates.

Active Engagement of Members

Establishment of Overseas Chapters

The Council has approved the formation of Overseas Chapters, initially at Dubai, Jeddah, London and Toronto. This initiative is expected to provide an opportunity to our members residing in those cities to interact more frequently with the Council and plan their CPD activities more effectively. A guideline for the establishment of overseas chapters has been circulated to all members in these cities.

Meet Your Representatives Sessions with Members

In its endeavour to formulate a long term plan and to devise a future strategy, the Council of the Institute sought members' input through a series of interactive *Meet Your Representatives* sessions. These sessions were conducted at eight places i.e. Multan, Lahore, Faisalabad, Islamabad, Karachi, Dubai, Abu Dhabi and Jeddah and were very well attended.

During these sessions, the President, the Vice Presidents and various Council members very attentively participated and listened to members' suggestions relating to examination, education, CPD programmes, mutual recognition of our qualification, matters relating to the small and medium sized practices, etc. Members appreciated this new concept of sharing ideas, as they came to know about the initiative and projects within ICAP as well as the Institute's various collaborative efforts. Members were of the view that these sessions would be very useful in devising workable policies for the future development of the profession. A summary of the discussions has been circulated to the members.

Membership

Directory of Members and Firms 2010-11

Directory of Members and Firms 2010-11 has been uploaded on the Institute's website on July 1, 2010. Our membership department staff with the help of Information Technology department has devised the mechanism of making particulars updates through the ICAP's website. We are determined to further refine the system of compilation of the Directory in order to facilitate the members and increase the quality of services being provided by the Institute.

Life Membership

The Institute offers life membership to its senior members who attain the age of 60 years provided they do not hold a certificate of practice and any other office of profit. The life membership can be obtained on payment of one-time fee of three thousand rupees. 38 members have been granted Life membership of the Institute during the period from July 1, 2009 till June 30, 2010.

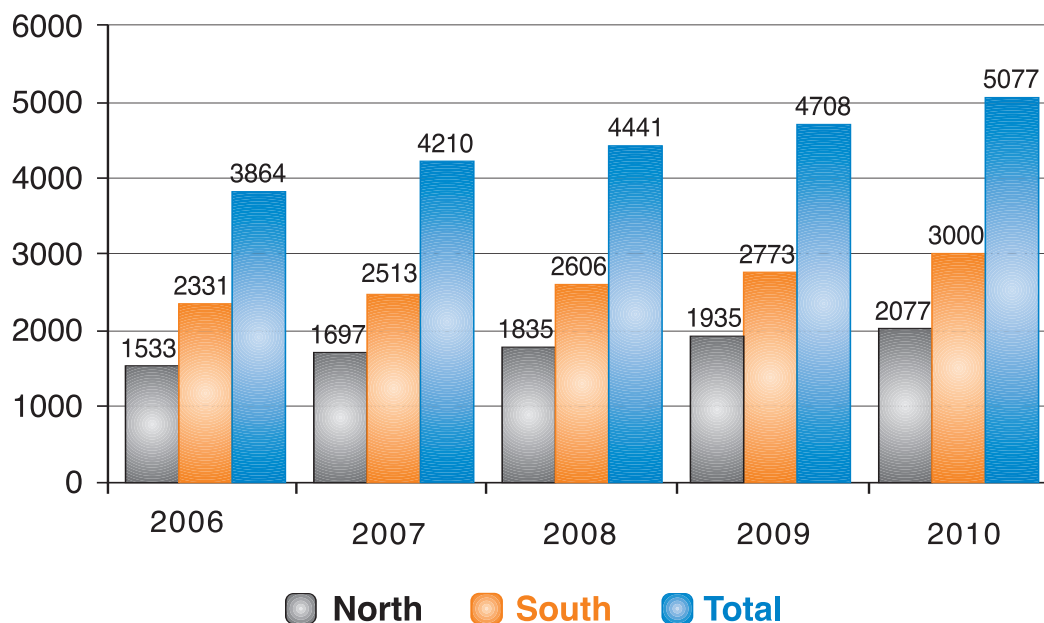
Growth in Membership

Our membership is growing at a gradual pace. Membership of the Institute as on June 30, 2010 was 5,077 out of which 1,179 members are overseas accounting for 23 percent of the total membership. During the year 2009-10, 425 new members were admitted to the Institute and memberships of 61 were restored, resulting in an increase of 483 members. Total membership includes 13% practicing members and 83% members employed in commerce and industry, financial institutions, government departments and education.

Statistical Information of Membership

	June 30, 2010			June 30, 2009		
	Associates	Fellows	Total	Associates	Fellows	Total
Domestic						
Public Practice - Sole Proprietor	40	217	257	47	210	257
Public Practice - Partnership	60	340	400	69	315	384
Commerce / Industry	1,828	737	2,565	1,647	743	2,390
Corporations	7	6	13	3	7	10
Financial Institutions / Banks	263	130	393	234	112	346
Government	23	22	45	17	18	35
Education	43	32	75	34	35	69
Senior Members	7	143	150	5	116	121
Overseas						
Non practice	772	360	1,132	716	343	1,059
Public Practice	6	13	19	5	12	17
Senior Members	1	27	28	-	20	20
Total	3,050	2,027	5,077	2,777	1,931	4,708

Year-wise Growth in Membership



During the year, Council removed the names of 111 members from the register of members, under section 19 (c) of the Chartered Accountants Ordinance, 1961.

ICAP also commiserates the passing away of the following members:

Tufail Mohammad	(R-0625)
Hamid Hasan Khan Sherwani	(R-0688)
Muhammad Akram Chaudhry	(R-0720)
Abdul Rashid Khan	(R-0821)
Abdul Qadir	(R-1565)
Shehzad	(R-5655)
Bilal Ahmed*	-

**Training period was not completed.*

Practicing Firms as on June 30, 2010

A total of 416 audit firms were registered with the Institute as on June 30, 2010 which include 121 partnership firms.

Continuing Professional Development

CPD activities from July 2009 to June 2010

Southern Regional Committee and Northern Regional Committee are responsible for conducting CPD programs. During the year, they organized 80 seminars/ workshops/ conferences in Karachi, Lahore, Islamabad, Faisalabad, Multan and Peshawar offering 305 CPD credit hours for members of the Institute. Last year 67 activities were held with 236 CPD credit hours.

Rousing Executive Development Centre

The CPD Committee is in the process of finalizing a deal with Rousing Executive Development Centre, Lahore University of Management Sciences (LUMS), for arranging their programs for ICAP. These programs will be held exclusively for ICAP members at Islamabad, Lahore and Karachi. The programs will be offered at subsidized rates to members.

Professional Accountants in Business

Acknowledging that about 83% members work in the industry, your Institute has formed a Committee for Professional Accountants in Business (PAIB). The Committee chalked out a plan to provide a platform to improve interaction and exchange of knowledge among members in industry and commerce. Accordingly, the idea of holding CFO conference was launched and your Institute has organized two very successful conferences this year. The PAIB Committee has further plans to establish a CFO Forum, develop a knowledge pool on the Institute's website and seek business innovation input from members working in the industry.

CFO Conferences

Two CFO Conferences were held in Karachi and Islamabad. Conference presentations, pictures and video recordings are available on ICAP website at the link:

http://www.icap.org.pk/web/icap_conf.php



1st Conference - Rising CFO, Karachi

The Institute, in collaboration with Terrabiz, organized a full day CFO Conference 2010 entitled **Rising CFO** at the Marriott Hotel, Karachi on March 11, 2010. The conference was attended by over 600 participants.

The President ICAP inaugurated the Conference with his welcome speech. Keynote speakers included Vice President SAFA and member of PAIB Committee of IFAC A.N. Raman, Dean, Director IBA Dr. Ishrat Husain, Council member and Chairman PAIB Committee, Mr. Yacoub Suttar, Managing Director SAP, Mr. Sajjad Syed, CFO Engro Corporation Limited, Mr. Ruhail Mohammad, CEO BMA Capital, Mr. Farrukh H. Khan, CFO Habib Bank Limited, Mr. Ayaz Ahmed, and CFO Siemens Pakistan Engineering Company Limited, Mr. Gerhard Wilcke. The conference was organised by the PAIB Committee.



2nd Conference - Challenge for Change, Islamabad

With over 350 participants, the second CFO Conference **Challenge for Change** was held and concluded successfully at the Serena Hotel in Islamabad on June 3, 2010. Mr. Shaukat Tareen, former Finance Minister was the Chief Guest. The keynote speaker for the evening was Mr. Saquib H. Shirazi CEO, Atlas Honda Limited. This conference was organised by the central CPD Committee.



Other Matters

Pakistan Institute of Corporate Governance

ICAP has signed a Memorandum of Understanding with the Pakistan Institute of Corporate Governance (PICG) whereby the Institute would assist PICG in attaining international affiliations with recognized bodies to promote the objectives of PICG such as programmes related to training of directors of listed company. As a result and on the invitation of PICG, ICAP has nominated the Vice President North as its Nominee Director on the PICG Board.

Golden Jubilee Celebrations in 2011

The Council has decided the calendar year 2011 to be the Golden Jubilee Year of the Institute which was set up on July 1, 1961. Completing fifty years of dedicated services to the nation in various spectrums is a major achievement and the Council of the Institute is planning to celebrate this important milestone through an elaborate programme comprising of many events including holding of conferences, engaging in corporate social responsibility activities, distribution of souvenirs and publication of special supplements in newspapers. Students shall be encouraged to actively participate in the Golden Jubilee Celebrations.

To commemorate the Institute's 50th Anniversary the Council has formed a Golden Jubilee Celebrations Committee under the chairmanship of a member of the Council.

Benazir Bhutto Shaheed Youth Development Program

Sindh Minister for Youth Affairs, Syed Faisal Ali Subzwari, and the President ICAP signed an MoU under the Benazir Bhutto Shaheed Youth Development Program on June 7, 2010 at ICAP House, Karachi.

With this MOU, the Institute has joined hands with the Government of Sindh under the Benazir Bhutto Shaheed Youth Development Program for skill development and job oriented training in taxation for unemployed and unskilled youth of the province of Sindh. The program has two phases, (a) imparting basic knowledge on taxation laws and processes; and (b) linking academic knowledge with practical application. ICAP will act as a facilitator between the trainees and the trainers.

On the occasion, Syed Faisal Ali Subzwari acknowledged ICAP as one of the premier institutions of the country and said he believes that Sindh government's association with ICAP would produce skilled and trained human resource for the country in the field of taxation.

International Representations

International Federation of Accountants (IFAC) IFAC Board

Member: Asad Ali Shah
Technical Advisor: Zahid Iqbal Bhatti

International Audit and Assurance Standards Board (IAASB)

Member: Mohammad Abdullah Yusuf
Technical Advisor: Pervez Muslim

Developing Nation Committee (DNC)

Member: S. M. Shabbar Zaidi
Technical Advisor: Naeem Akhtar Shaikh

Confederation of Asian and Pacific Accountants (CAPA)

Member: Imran Afzal*
Technical Advisor: Rafaqat Ullah Babar

*Mr. Imran Afzal resigned in June 2010. The Council appreciates his services to the Institute.

South Asian Federation of Accountants (SAFA)

Member: Shaikh Saqib Masood
Technical Advisor: Mohammad Abdullah Yusuf

Asian-Oceanian Standard Setters Group (AOSSG)

Member: Zahid Iqbal Bhatti

Finance

Financial results for the year ended June 30, 2010 are summarised below:

	2010	2009
	- Rs. in '000 -	
Revenue		
Members	47,548	39,253
Students	225,690	195,584
Others	16,086	12,710
	289,324	247,547
Operating expenditures	253,275	234,434
	36,049	13,113
Finance income	9,277	7,832
Net income for the year	45,326	20,945
Capital expenditures	22,164	37,566

Net assets as at June 30, 2010 were Rs. 279 million (2009: Rs. 229 million). The net increase/(decrease) in cash and cash equivalents in 2010 was Rs. 49 million (2009: (Rs. 5 million)).

Publications

Your Council's approach is to adopt a policy of openness and transparency. The Council believes that transparency is a vital tool for making the representatives in the Council and the directorate accountable.

An important objective of our publications is to engage industry and regulatory bodies by presenting diverse opinions, views, and suggestions.

Publications continues to provide creative, editorial, and publishing support for special events such as the CFO Conferences and annual student events such as soft skills competitions. Soon, specific website content development will also be undertaken by Publications.

The Committee has decided to gain additional human resource for the department in view of its expanding scope, and give the department a fair degree of autonomy in terms of conception, content selection, research and production of our publications.

Newsletter

The Newsletter has been made vibrant. Previously, various communication means were used like E-Technical update, CPD news and the President's communication. All these have now been combined in the newsletter to make it a comprehensive document providing coverage to all ICAP's news

Pakistan Accountant

As part of Golden Jubilee Celebrations, a commemorative issue of *The Pakistan Accountant* dedicated to 50 years of penmanship has been planned.

Human Resources

HR Committee

An HR sub-committee has been formed to review the HR Manual and the organizational structure of the Institute to meet the growing needs of the Institute.

In order to further strengthen the organization structure, it has been planned to appoint an experienced media person for the projection of the image of the Institute. It is also planned to appoint a full-time attorney at the Institute for addressing the legal matters.

The details of movement in key personnel, during the year, are as follows:

Employed during the year

- Badia Raza - Regional Head North
- Abdul Aleem - Senior Manager
- Tahera Arshad - Internal Auditor

Resigned during the year

- Moiz Ahmad - Executive Director
- Fazal H. Saifee - Chairman Board of Studies
- M. Asif Iqbal - Director Technical Services
- Najmuddin Shad - Regional Head North
- Maria Mc Kenna Qamar - Advisor Technical Services and Quality Control

Training for ICAP's Management Staff

This year, HR organized 4 in-house training sessions for management staff of the Institute to enhance their professional capabilities. Management Staff from Lahore and Islamabad also took part through video conferencing. The sessions were designed to improve soft skills. The programs were conducted by professional trainers like Dr. Shahida Sajjad, Shakeel Mapara, Dr. Kamran Yameen and Jiyad Shaikh.



Other Activities

- Special security survey of the Institute's premises was carried out by a professional security company. Their suggestions have been incorporated to improve security at all Institute offices.
- Staff picnic was organized in July 2009 in which the staff participated with enthusiasm.
- Administrative facilities are utilized by firms and organizations for conducting their professional activities. During the year more than 330 events including AGMs, training sessions, seminars, lectures and other such activities were organised.
- Attendance records at Karachi, Lahore and Islamabad have been automated as they are now being maintained through a digital card reading machine.

Donation of Land

During the year a senior member has graciously gifted a piece of land measuring 600 square yards located at Government Teachers' Co-operative Housing Society, Scheme 33, Gulzar-e-Hijri, Karachi for constructing ICAP offices, a library, examination centre, class rooms and for other similar activities. The Council appreciates this gesture and love with the Institute and would like to place on record its sincere thanks to the senior member for this generosity.

Regional Committees

The Institute has two Regional Committees, one each for the Northern and the Southern regions, which are constituted through an electoral process. Brief reports of the respective Regional Committees are annexed.

Acknowledgment

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, the Federal Board of Revenue, the State Bank of Pakistan and other government organizations for their continued support.

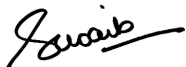
The Council expresses its appreciation for the work done by Mr. Qasim E. Causer and Mr. Afzal Munif in their capacity as the external auditors of the Institute.

The Council also gratefully acknowledges the active role played by the Chairman of the Audit Committee, the Chairman of the Quality Assurance Board and the President of the Benevolent Fund, in their respective areas.

The Council would also like to acknowledge the contributions made by the respective Regional Committees in building the image of the Institute and for their whole hearted support.

The Council would like to take this opportunity to express its appreciation to the personnel of ICAP for their hard work and dedication and for helping the Council in discharging its responsibilities.

By the order of the Council



Shoaib Ahmed
Secretary

Karachi, July 20, 2010

Report of the Audit Committee

Annexure I



The Council has formed an Audit Committee in its 211th meeting held on September 14, 2009, to assist the Council in the discharge of its functions and responsibilities. The Terms of Reference of the Committee have been approved by the Executive Committee, with a mandate of monitoring the integrity of the Institute's financial statements, the efficacy of the Institute's internal controls & risk management systems, and monitoring & reviewing the effectiveness of the internal and external audit processes. The Committee comprises of five members, of them three are independent non-council members. The Committee is chaired by an independent member who is also a past president of the Institute.

During the period under review, the Audit Committee held four scheduled meetings and conducted the following business:

1. Reviewed and finalized the Terms of reference of the Audit Committee and recommended the same for approval of the Executive Committee.
2. Finalized the appointment of Head of the Internal Audit.
3. Reviewed analytically the quarterly, half yearly and annual financial statements of the Institute along with the External Auditors Report thereon. The financial statements after review were recommended to the Executive Committee for approval.
4. Had a meeting with the External Auditors of the Institute for any point of their concern regarding compliance and governance related matters.
5. Reviewed the effectiveness of the Institute's internal controls, governance processes.
6. Agreed upon the work plan of the Internal Audit
7. Approved the Internal Audit Charter and Job Description of the Head of Internal Audit.
8. Agreed and recommended the fees and the terms of appointments of External Auditors of the Institute.

ABDUL HUSAIN A. BASRAI
Chairman, Audit Committee

Karachi, July 19, 2010

Report of the Quality Assurance Board

Annexure II



On behalf of the Quality Assurance Board (the Board) I am pleased to present the report of the Board and activities of the Quality Control Review (QCR) carried out during the last year.

The QCR Program is integral to the Institute's regulatory framework and established to develop and maintain compliance of professional standards amongst firms engaged in the audits of limited companies, particularly the listed entities, as the Code of Corporate Governance applicable in Pakistan since 2002 requires a satisfactory QCR rating as mandatory for firms conducting audits of listed entities. This reflects the Institute's commitment to protecting the stakeholders'/ public's interest and also maintaining rigorous self-regulatory standards.

The primary objective of the QCR process is to provide guidance and education to the firms, enabling them to improve their quality of audit work in accordance with the International Standards on Auditing (ISA) adopted by the Institute.

It may be recalled that in 1987 the Council of the Institute constituted the Quality Control Review (QCR) Committee with the key objective of establishing a quality control review framework in respect of audits of financial statements conducted by the firms. To bring more transparency and independence, the QCR Committee was transformed into the Quality Assurance Board in 2005 with the induction of outside independent members.

Currently the Board has four independent members i.e. three SECP and one SBP nominees. The Board also has wide representation from large firms, Small and Medium practitioners and also members from industry and commerce.

Review of the Firms under International Standard on Quality Control - 1 (ISQC-1)

Compliance to 'ISQC-1' was made mandatory by the Council for the auditors of listed companies and public interest entities from the financial year beginning on or after July 01, 2009. Consequently the reviews of firms under 'ISQC-1' would be conducted for the audit reports to be issued for the year ended June 30, 2010.

During review a firm's overall system of quality control would be reviewed which would include policies and procedures addressing the following elements:

- ▶ Leadership responsibilities for quality within the firm.
- ▶ Ethical requirements.
- ▶ Acceptance and continuance of client relationships and specific engagements.
- ▶ Human resources.
- ▶ Engagement performance.
- ▶ Monitoring.

QCRs conducted during the period

During the period from September 11, 2009 (as in the last Annual Report, reporting period ended on September 10, 2009) to June 30, 2010, reviews of 66 audit engagements of 40 firms at 49 office locations at Karachi, Lahore, Islamabad, Faisalabad, Multan, Rahim Yar Khan, Rawalpindi and Peshawar were carried out as compared to 98 audit engagements of 52 firms at 63 office locations during the period from September 1, 2008 to September 10, 2009.

Out of 40 firms reviewed during this period, conclusions of 21 firms were that audit reports issued by such firms were 'supported by appropriate audit evidence' while the conclusions of 5 firms were that audit reports issued by them were 'not supported by appropriate audit evidence'. QCR Reports of 14 firms are in the process of approval by the Board.

As on June 30, 2010, 94 firms were listed on the Institute's website, having satisfactory QCR rating'.

I would like to share that since the inception of the QCR program the quality of audit work of number of firms has witnessed considerable improvement. Some of the firms with a positive approach and a desire to improve take full guidance from the resources available at Institute. I would request the firms, specially SMPs, to fully utilize the resources of Professional Standards Compliance & Evaluation (PSCE) in their improvement.

Legal Cases relating to QCR

During the period under review, following legal cases were filed against the Institute:

- i) A firm filed a writ petition against the Institute challenging the decision of the QAB regarding removal of the firm's name from the list of the firms with satisfactory QCR ratings. After two hearings the Court passed a consent order in favour of the Institute advising the Petitioner Firm to apply for a revisit of QCR.
- ii) In the second case another firm challenged the decision of the Board regarding the earlier QCR of the firm. The Court after one hearing dismissed the petition filed by the firm and passed verdict in favour of ICAP.

Report of the Quality Assurance Board

ISQC-1 Mentoring Program

In continuation of the initiatives taken by ICAP to facilitate and motivate practicing members (especially in SMPs) towards imminent implementation of ISQC-1, the concept of "mentoring visits" was introduced. As part of this program, ICAP representatives have been visiting various SMP offices located country-wide.

The primary objective of these visits was to provide further guidance and orientation to members regarding the ISQC-1 requirements and in the process address any difficulties/ limitations which SMPs were facing in implementing the same.

These mentoring visits were also aimed at providing opportunity to members to discuss such specific issues relevant to their practices which they were hesitant to share on larger forums. During the period under review various firms in Karachi, Lahore and Islamabad were visited.

This program is intended to be continued covering other cities of the country where firms are carrying out audit assurance services. It is expected that members will respond positively to this initiative in preparation for meeting ISQC-1 requirements.

Revised ISQC-1 Manual

Last year, the IAASB revised the ISQC-1 and in the light of this revision the Institute is in process of revising its ISQC-1 Manual issued in September 2008. The Manual provides standardized documents and formats to facilitate compliance with ISQC-1. This initiative was taken with the objective of enabling firms to improve the standard of documentation and system of quality control within the firms. This would in turn improve the overall quality of assurance and other related services which is, in fact, the underlying requirement of ISQC-1.

The Manual can be downloaded from the Institute's website.

Revised Audit Compliance Review (ACR) Checklist Part-A for the firms engaged in audits of listed entities

It may be recalled that in 1998 the Institute had directed all Chartered Accountants Firms to submit the 'Audit Compliance Review (ACR)' every year on 01 July at the time of renewal of practicing certificates of their proprietors / partners. The ACR consists of two parts i.e. Part A and B, which deal with the provision of information relating to overall quality control procedures and audit engagements carried out during the past year respectively.

As you are aware that in January 2008 the Council adopted the ISQC-1 and now firms that carry out audit of

listed companies and public interest entities from accounting periods beginning on or after July 1, 2009 are required to comply with the requirements of ISQC-1. In view of the above development a need was felt to revisit Part A of the ACR for those firms that carry out audits of listed companies so that it could be aligned with the requirements of ISQC-1.

The Board in its 25th meeting held in May 2010 approved the issuance of revised Audit Compliance Review (ACR) Checklist Part 'A' for the firms engaged in the audits of listed entities. Other firms will continue to submit the existing ACR Checklist Part A to the Institute. However, these firms will be encouraged to submit the revised Part A of the ACR.

Revised Audit Compliance Review (ACR) Checklist - Part B

After IAASB clarity project, various ISAs have been revised and redrafted in addition to issuance of certain new ISAs. This has necessitated the revision of ACR Checklist - Part B which is expected to be completed by December 2010.

Revised Audit Practices Manual

Keeping in view the clarified and redrafted ISAs, the Audit Practices Manual (APM) issued in 2004 for the general help and assistance of SMPs, is also being considered for revision. Work will start on 'Revised APM' after finalization of 'Revised ACR Checklist - Part B'.

SMP Workshops

While ISQC-1 orientation essentially targets practice management, there is a need to provide SMPs with valuable support in terms of training their human resources to augment their understanding of the audit methodology generally, and the documentation requirements in particular.

To this end, during the period under review, DPSC&E in collaboration with Southern and Northern Regional Committees, organized workshops on ISQC-1 in all major cities of Pakistan and on certain ISAs in Karachi, Lahore and Islamabad. It is expected that these workshops will supplement the efforts and commitment of the firms, especially SMPs, towards successful implementation of ISQC-1.

Finally, I want to record my thanks to all the existing and outgoing members of the Board and the staff members of PSC&E who have done exceedingly well to establish the effectiveness of the Board since its formation and providing me with admirable support.

ZAFAR IQBAL SOBANI
Chairman, Quality Assurance Board

Karachi, July 19, 2010

Report of the ICAP Benevolent Fund

Annexure III



The Institute of Chartered Accountants of Pakistan Benevolent Fund (The Fund) is an important and independent function of the Institute of Chartered Accountants of Pakistan (ICAP). This Fund was established to provide financial assistance and grants to financially distressed members as well as families of the deceased members to enable them to have

a respectable living, support education of their dependent children, marriage of their daughters and to meet their medical needs. The Fund has been undertaking this function with commitment and sincerity of purpose since 1972 when it was established by the ICAP. It is governed by an independent committee constituted by the President of the Fund who is nominated by the Council of the ICAP.

During the year ended on June 30, 2010, the Fund has continued to meet this sacred obligation; it also undertook special projects for the benefit of the members. A brief account of the performance of the Fund appears below:

Financial Assistance

The Fund extended financial assistance of rupees 4,958,250 to members and families of deceased members compared to rupees 3,804,117 during the preceding year. The Fund has constituted a sub-committee to verify and assess the needs of deserving cases. Members of the sub-committee pay visits to the families of late members in order to condole them. These visits also serve the purpose of identifying deserving cases for financial assistance.

Group Life Insurance Scheme

The Fund has been administering group life insurance scheme for the members since the past several years. During the year under review, the scheme was converted from conventional insurance to the Islamic concept of Takaful in deference to the wishes of the members indicated by them at different forums including the annual general meetings. It is expected that the members will join the scheme in large numbers.

Vigorous efforts were made by the members of the Managing Committee of the Fund to seek participation of more and more members in the scheme and also to render it viable for the insurer. These efforts included contacting members personally and through email, paying visits to C.A. firms and requesting their partners to switch over to these schemes, distribution of scheme brochures at different seminars and other get together occasions.

Last but not the least, at the request of the Committee, a premium for insurance cover of rupees 500,000 was included, as an option, in the notices issued to the members for payment of annual membership fee to ICAP.

This cover could be increased to larger amounts at the discretion of the members. Sufficient details in this respect were provided in these notices.

These efforts have borne fruit as a large number of members have sent their contributions for group takaful coverage for the ensuing year 2010-11. The numbers are expected to increase further as membership fees are paid by more members.

Introduction of Group Health Care Scheme

The Fund took the initiative of finalizing arrangements with Askari General Insurance Co. Ltd to help the members covered against major and deadly diseases and hospitalization at a minimum cost. Furthermore, the insurer was persuaded to include the employees of CA firms along with their dependents within the ambit of the scheme.

Investments

A sub-committee of the Fund looks after the financial resources of the Fund, their investment in profitable avenues and dis-investment at appropriate times. This helps in increasing the resources of the Fund.

Free Seminar on Eye Care

A seminar on "Eye-Care" was arranged on 17th February, 2010 at ICAP House, Karachi to create awareness among members about eye related health and problems arising at an elder age. The program was conducted by a renowned eye specialist voluntarily.

Takaful Salary Saving / Investment Scheme

An Investment cum Takaful (life insurance) scheme is under consideration of the Fund. The proposed investment scheme will include an investment plan, based on monthly / yearly installments, in the existing Group Family Takaful Scheme. Details of the scheme will be communicated to members shortly when finalized.

Presentation in Council Meeting

The President of the Fund alongside a member of the committee, made a detailed presentation of the objectives, scope of activities and the nature and volume of financial assistance provided to members and their families during the year and since its inception in 1972. The Council was requested to increase the subscription of the Fund from Rs. 500 to Rs. 1,000 and to revive the annual contribution from ICAP. The Committee is thankful to the Council for providing an opportunity to present its point of view to the Council and also for approving grant of rupees one million to the Fund annually.

KHALIQ-UR-RAHMAN

President, ICAP Benevolent Fund
Karachi, July 19, 2010

Report of the Southern Regional Committee

Annexure IV



It is indeed great pleasure for me to present to you a summary of activities of Southern Regional Committee (SRC) during the year 2009-2010. SRC comprises of 5 elected members from Zone A (Sindh) and 1 member from Zone B (Baluchistan). However, as no member contested election from Zone B, the seat is lying vacant.

SRC, for the first time, was given an opportunity to present its Vision to the Council. The Council gave a patient hearing to the Vision of the Committee and gave valuable inputs to further enhance the effectiveness of the Committee.

SRC organized 23 CPD events consisting of 11 workshops and 12 seminars, on various core and non-core subjects. In addition SRC also organized an Eid Milan & Mehfil-e-Ghazal and a family get-together at Sindbad. Both events were well received by the members.

SRC also assisted ICAP Secretariat and the President in

arranging discounted memberships and services offered by leading clubs and service providers. The Committee is also working on developing its web-page to keep the members abreast with its activities and facilitate communication with the members.

The CASA Managing Committee organized 8 seminars on exam specific topics, which were well received by the students. The elections for the 4 students members of the Managing Committee are planned on 14 July 2010, and we believe that with the induction of new members CASA would be a more vibrant body.

In the end, on-behalf of SRC, I would like to thank the members, the President, the Council members, and the secretariat staff of ICAP and SRC for their cooperation and support.

SYED NAJMUL HUSSAIN

Chairman, Southern Regional Committee

Karachi, July 19, 2010

Report of the Northern Regional Committee

Annexure V



Alhamdulillah, the newly elected Northern Regional Committee is just about to complete the first year of its four year tenure.

Soon after taking over, the Committee took initiatives for enhancing the standard and volume of activities. Efforts were specially focused towards increasing the frequency and quality of CPD events and the much needed up-gradation of library facilities. Improved organization and management of coaching classes also received specific attention resulting in raising the standard as well as number and duration of the courses offered.

The CPD Committees of the Region have performed well, both in terms of arranging regular events and covering and addressing areas and topics of professional interest. Lahore CPD committee has excelled by managing to conduct seminars/workshops of 70 hours. More than 175 hours of CPD activities were held in the Region, collectively, during ten months only.

A comprehensive review of libraries at various centers has been conducted to identify the requirements for improving the existing as well as providing additional facilities. Based on the review, major up-gradation of libraries has been planned during the coming months.

Special feature of this year was the meeting with the President, Vice President (North), other Council members and presentation of NRCs Goals and Action plans to the Council. The presentation was well received and Council appreciated the initiatives presented which are in the process of being implemented.

The Committee looks forward to a more eventful and productive year ahead.

SHIBLI ISLAM REHAN

Chairman, Northern Regional Committee

Karachi, July 19, 2010