



**The Institute of
Chartered Accountants
Of Pakistan**

HEAD OFFICE

Circular No. 03 /2010

March 18, 2010

ALL MEMBERS OF THE INSTITUTE

Dear Member

GUIDELINES FOR SPECIAL REVIEW OF THE BANKS' / DFIs' INTERNAL CONTROL OVER FINANCIAL REPORTING PROGRAMME

The Council in its 214th Meeting held on January 28, 2010 approved the enclosed 'Guidelines For Special Review of the Banks' / DFIs' Internal Control Over Financial Reporting (ICFR) Programme' under the 'Guidelines on Internal Control' issued by the State Bank of Pakistan.

Following the issuance of the 'Guidelines on Internal Control' by the SBP through BSD Circular No.7 dated May 27, 2004 and as modified through its BSD Circular No.6 dated March 03, 2008, BSD Circular No.5 dated February 24, 2009 and BSD Circular Letter No.9 dated December 3, 2009, the Institute understands that at present most of the banks are in the process of achieving various milestones as set out in their Internal Control programmes in line with the SBP's specified schedule of activities. The work performed by the banks in those completed stages will form the basis for eventual compliance with the requirement to have their ICFR audited by their external auditors and publication of ICFR report in their annual report, Based on discussions with SBP, it is considered advisable that the external auditors now perform a special review of the work undertaken by the banks/DFIs in the completed stages and report their observations to the management for submission to SBP. This review is expected to assist the banks/DFIs in seeking some level of comfort over the nature, extent and quality of work undertaken by them in the completed stages and in identifying any aspects that may require revisions on a timely basis.

To ensure that the subject reviews are conducted by the banks'/DFIs' external auditors in accordance with a uniform basis, the Institute has developed 'Guidelines For Special Review of the Banks'/DFIs' Internal Control Over Financial Reporting Programme'. Under the subject guidelines the external auditor will be required to issue a long form report on the milestones completed by the bank/DFI under its ICFR programme.

The full text of the guideline can be downloaded from the Institute's website at:

http://www.icap.org.pk/userfiles/file/TechnicalDepart/ICFR_Guidelines_final_for_website.pdf

The Institute is also currently in the process of developing an auditing standard for an audit of Internal Control over Financial Reporting that is integrated with an Audit of Financial Statements of Banks / DFIs. This standard will be based on Auditing Standard 5 issued by Public Company Accounting Oversight Board in the United States.

Members are advised to take note of the same.

Yours truly

Muhammad Asif Iqbal
Director Technical Services

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