



**The Institute of
Chartered Accountants
of Pakistan**

**Visit of
the Governor State Bank of Pakistan
to ICAP**

May 28, 2009

ICAP's Role & Functions

□ Core functions

- Regulatory body : mandated under statute to regulate the profession of accountancy
- Examinations and awarding of membership
- Practice license regulation
- Education and Training of members & students
- Continuing Professional Development
- Standard setter : accounting and auditing standards



ICAP's Role & Functions

□ Ancillary

- Working with the regulators and government to promote high quality financial reporting, transparency and good corporate governance
- Advice to the GOP on budget proposals and fiscal policy
- Advice and contribution in corporate laws and related matters
- Promotion and support to Corporate Governance
- Other public interest activities



Council of the Institute

- ❑ Management of the affairs of the Institute is vested in the Council
- ❑ Comprises 15 elected members and 4 members nominated by the government (2 independent members proposed)
- ❑ Elected members include 9 from the Southern region and 5 from the Northern Region
- ❑ Council term is 4 years
- ❑ the Council elects from amongst its members a President as well as two Vice Presidents (South) and (North) for a term of one year
- ❑ A distinguishing feature of the Council and the Institute: The council acts in public interest



Committees of the Institute

❑ STANDING COMMITTEES

- Executive Committee
- Examination Committee
- Investigation Committee

❑ OTHER COMMITTEES / BOARD

- Audit Committee
- Education and Training Committee
- Professional Standards & Technical Advisory Committee
- Accounting & Auditing Standard Committees
- Technical Advisory Committee
- Quality Assurance Board
- CPD Committee

(Continued)



Committees of the Institute

- ❑ Accounting Standards For Islamic Financing & Investment
- ❑ Economic Advisory
- ❑ Public Sector Accounting
- ❑ Small and Medium Practices
- ❑ Professional Accountants in Business
- ❑ Taxation
- ❑ Financial Sector
- ❑ Joint Co-ordination Committees with SECP, SBP, FBR



International Representation

- Board of IFAC, the apex body of accountants
- IFAC Boards & Committees
 - IAASB : the global standard setter for auditing standards
 - DNC
 - SMP
 - Education Board
- SAFA
- CAPA
- ISAR – UNCTAD United Nations



Liaison With Government and other Public Agencies

ICAP continues to maintain close liaison with:

- ❑ Ministry of Finance, Ministry of Commerce, SECP, CBR, State Bank of Pakistan, Auditor General's Office and other agencies including World Bank.
- ❑ Various accounting institutes in Pakistan and abroad.

ICAP's nominees on:

- ❑ NAB Conciliation Committee, State Bank of Pakistan's Audit Committee and Provincial Pension Fund – Sindh



Regulatory Role

- ❑ Professional conduct is monitored through two mechanisms under the supervision of the Council.
 - Investigation Process
 - Quality Control Rating Program under QAB
- ❑ All regulatory and monitoring bodies : Council, Investigation Committee and Quality Assurance Board include significant independent element.
- ❑ SECP is in constant liaison with ICAP on 'Disciplinary Matters' and a substantial number of cases for investigation are referred by SECP.
- ❑ Status reviewed in in each Council Meeting & SECP / ICAP joint coordination committee.



Regulatory Role

Quality Control Review (QCR) Program of ICAP

- ❑ Quality Assurance Board with independent members nominated by SECP and SBP
- ❑ Equal representation from Big 4, SMPs and Industry
- ❑ Chairman – a non practicing CA from Industry
- ❑ Only quality rated firms allowed to conduct ‘Audits’ of listed entities.
- ❑ Total of 102 out of 400 practicing firms had satisfactory rating as of December 31, 2008
- ❑ QCR being further reinforced through improvements in QCR Framework to bring it completely in line with the IFAC requirements



Self Regulation Role of ICAP

Investigation Process monitored by the Council. There is a two tier system:

- ❑ Investigation Committee also consisting of Independent persons including two persons being eligible as the Judges of the High Court. Investigation Committee is a fact finding body.
- ❑ Council having the Review and Action status. Government nominee / Independent members always form part of such decision process.



Corporate Governance

- Major Contribution in developing the Corporate Governance Code.
- Establishment of Corporate Governance Institute
- Corporate Governance for family owned entities
- Currently working with ISAR team on a Corporate Governance Survey



Key Initiatives

- Enhance coordinating arrangements with regulators viz. SECP, SBP, FBR in the matters of regulatory compliance.
- Intensify its effective role in the regulation of profession, through effective enforcement of professional standards, quality assurance and respect of disciplinary actions, where ever required.
- Play proactive role in assisting the Federal and Provincial Governments in framing economic & fiscal policies



Key Initiatives

- ❑ Launch a research program in the relevant fields so that views and comments on major policy issues are available to the Government and other stakeholders
- ❑ Launch an extensive knowledge dissemination program
- ❑ Development of reporting framework for small and medium sized enterprises (SME)
- ❑ Promote export of services such as ‘outsourcing’ in business processes including finance and accounting functions



Key Initiatives

- ❑ Find solutions that brings prosperity to our members which can go a long way in stabilizing SMPs
- ❑ Endeavor that student from all segments of the society and from various educational systems prevalent in the country are enrolled to our system.
- ❑ Coordination with the existing educational institutions in country to assist them in bringing their syllabi, faculty, evaluation systems and standards in line with Institute's intake requirements



Key Initiatives

- ❑ Extend the area of our operation including development of distance learning and e-based programs so that it is extensively available in greater number of cities and population of Pakistan.
- ❑ Established the Endowment Fund to give learning opportunities to deserving students.
- ❑ Through our Board of Studies text books, study packs are reviewed and published to facilitate students.



Key Initiatives

- ❑ Take steps for increasing the membership without compromising on quality to provide larger number of accounting professionals to meet growing needs of our economy.
- ❑ Working together with SECP and SBP for adoption of global financial reporting standards: to ensure that Pakistan GAAP becomes fully IFRS compliant.
- ❑ The Council of the Institute has adopted all IASs/ IFRSs except IFRS 1 and 4.
- ❑ IAS 39 & 40 – deferred for Banks and DFIs



Key Initiatives

- ❑ Considering the complexities of IFRS SMEs, developed two SME standards namely:
 - Accounting and Financial Reporting Standard for Medium Size Entities (MSEs)
 - Accounting and Financial Reporting Standard for Small Size Entities (SSEs).
- ❑ Ongoing projects :
 - Accounting standards for NPOs / NGOs
 - Governance framework for NPOs / NGOs



Key Initiatives

- ❑ Initiated in 2000 to promote corporate accountability and transparency through the publication of timely, informative, factual and reader friendly annual reports.
- ❑ Create demand for Good Financial Reporting.
- ❑ Considerable improvement has been witnessed in the quality of annual reports.
- ❑ Best Corporate Report Awards competition among SAFA countries being held every year for the last ten years to and Pakistani companies have won many awards.



Future Role & Contribution

- Continue to contribute in public interest activities:
 - Corporate Governance
 - Financial Reporting
 - Macro-economic, especially fiscal policy
- Enhance contribution & transparency and good governance in public sector:
 - Good governance in governments and public sector entities
 - ICAP representatives should be inducted in Public Accounts Committees, Finance Committee of National Assembly
 - Adoption and implementation of IPSAS, double entry & accrual system of accounting in government
 - Auditor General, Comptroller General, Accountant Generals should be Chartered Accountants



Current Projects with SBP / Banking sector

- Financial Reporting in line with global standards
 - Adoption of IFRS
 - Format for financial statements
 - Guidelines on Internal Control on Financial Reporting
 - Coordination of external auditors with banking inspectors

- We are looking for harmonization of regulatory framework for commercial banks, non banking financial institutions, modarabas, leasing companies and insurance companies

- Can play further role
 - Improving Governance (eg. Code for Corporate Governance for Banks)
 - Risk Management & Internal Control related matters / Basel II implementation



Thank You