

## Terms of Reference (TOR)

### Auditing Standards and Ethics Committee

#### Institute of Chartered Accountants of Pakistan

#### Introduction

1. The Auditing Standards and Ethics Committee (ASEC/ the Committee) is a Committee of the Institute of Chartered Accountants of Pakistan (the Institute) on the terms set out in this document.

#### Functions of the ASEC

2. Following are the functions of ASEC:
  - 2.1 To consider, review and recommend to the Council the adoption of the auditing and assurance standards and statements issued by International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), after due consultation with membership;
  - 2.2 To consider and review Code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants (IESBA) and recommend it to the Council for adoption, after due consultation with membership;
  - 2.3 To prepare and submit comments on exposure drafts or other communications issued by the IAASB and the IESBA, after taking the views of membership into consideration;
  - 2.4 To develop Institute's Auditing Technical Release (ATRs) for consideration and approval of the Council;
  - 2.5 To develop auditing frameworks, local standards on auditing, audit & assurance report formats, circulars, guidelines, audit bulletin, FAQs, case studies and other guidance material for members, and issue after consultation with the Chairperson of the Committee;
  - 2.6 To respond to queries on technical issues related to auditing, ethical and allied matters (including members' queries on ICAP Code of Ethics for Chartered Accountants, provisions of corporate laws relating to audit, ethics and allied matters, Code of Corporate Governance and secretarial practices, and relevant provisions of the Chartered Accountants Ordinance (CAO), 1961), raised by members, the Council, regulatory authorities or any other statutory body/ Government. The procedure for dealing with member's queries is enclosed as **'Annexure'**;
  - 2.7 To provide technical support to ICAP nominee as a member on the International forums relating to auditing and ethical matters;

- 2.8 To coordinate with the international organizations such as IFAC, SAFA, CAPA, IOSCO etc. on matters relating to auditing, ethics and allied matters in consultation with the Chairperson of the Committee;
- 2.9 To review and comment on audit related guidance material issued by the regulators such as SECP, SBP etc. in consultation with the Chairperson; and
- 2.10 To hold/ conduct seminars, conferences and round tables in coordination with regional committees of the Institute for creating member's awareness on audit, assurance, ethical and allied matters.

### **Communication and Reporting**

3. Following communication and reporting protocols have to be observed:

- 3.1 All correspondence with local and international organizations on policy matters will be done in consultation with the Committee Chairperson and President of the Institute. Further, all correspondence relating to policy matters shall be shared with the Secretary for information and record.
- 3.2 All correspondence with local and international organizations on regular/general matters will be done in consultation with the Chairperson of the Committee.
- 3.3 The ASEC shall prepare an annual report summarizing the work carried out by it during the year (July to June) and submit it to the Council.
- 3.4 In consultation with the Chairperson and the President the document finalized by the Committee may be disseminated in the following manner:
  - a. Placement on the Institute's website;
  - b. Circulation to the membership or other stakeholders either in the soft or print form;
  - c. Publication in the print media with the web link of the document; and
  - d. Publication in the Institute's magazine 'The Pakistan Accountant' or other national and international forums/journals.

### **Membership of the ASEC**

4. The Committee will comprise of fifteen members. This number can be increased/ decreased with the concurrence of the President and the ratification by the Council and will have the following suggested composition:
  - 4.1 A Member of the Council, as nominated by the Council, who will function as the Chairperson of the ASEC.

- 4.2 Other members, mostly members of the Institute, in such a composition which adequately represents both the Northern and the Southern regions of ICAP, the large practicing firms, the SMPs and the industry.
- 4.3 Stakeholders and other experts may be invited by the Chairperson to attend meetings for discussing specific agenda items.

### **Expectation from the ASEC Members**

5. The Committee members are expected to adhere to the following principles:
  - 5.1 Proactive contribution for the achievement of quality thresholds of contributions in terms of technical content, innovation, understandability and timeliness.
  - 5.2 Active and constructive participation in the meetings on a regular basis.
  - 5.3 Proactive feedback on issues and developments relevant to ASEC.
  - 5.4 Respect and commitment to support the reputation of ASEC and ICAP.
  - 5.5 Observance of ICAP's Code of Conduct and confidentiality.

### **Meetings and Proceedings of the ASEC**

6. The procedure for meetings will be as follows:
  - 6.1 The quorum of the Committee will be forty percent members including the Chairperson.
  - 6.2 In absence of the Chairperson for any unavoidable reason, the Chairperson may nominate any senior Committee member to chair the meeting in his/her absence.
  - 6.3 The ASEC will meet as required, but should meet at least once in three months.
  - 6.4 Members are expected to attend all meetings. A member can resign from the Committee by submitting a written resignation to the Chairperson. The ASEC in consultation with the President may replace members who fail to attend three consecutive meetings without leave of absence.
  - 6.5 The ASEC members will not be represented by alternates in the Committee meeting.
  - 6.6 The Chairperson will approve the agenda for each ASEC meeting.
  - 6.7 Agenda will be circulated preferably within seven working days before the meeting.
  - 6.8 Minutes along with action plan will be circulated within fifteen working days after the meeting.
  - 6.9 The ASEC may also conduct business during its meetings using electronic or non-electronic correspondence. For example, to obtain response to a query or to obtain

comment on any urgent matter or new or revised proposed standards or to poll initial views on a proposed topic in order for it to be developed appropriately for future discussion and/or finalization.

- 6.10 The meetings of the ASEC may be conducted via video conference, depending on the geographical spread of members.
- 6.11 The Chairperson may hold a meeting requiring all members to attend in person if the matter in the opinion of the Chairperson is of such significance that effective discussion can only be made in person.

Following points should be considered for the members’ queries:

- a. The enquiry from a member should be received in the specified ‘Technical Enquiry Form’ (the Form). The query should be clear and unambiguous, containing the background, facts and particulars of the issue and the requirement for the opinion. Full particulars of the enquirer i.e. name of person, membership number, full address, contact numbers and email should be provided in the Form. The Form should be signed and submitted to the Technical Services Department (DTS) through email or hard copy form.
- b. ASEC would not deal with queries which involve only legal interpretations on various enactments or the matters which are pending in the Court of law or with the regulators/ Investigation Committee or other committee of the Institute or judicial or any other competent authority for consideration. Queries related to any issue, which is subjudice, should not be considered. This clarification/confirmation would be taken in advance from the enquirer i.e.at the time of accepting query.
- c. ASEC will not consider hypothetical cases and it will be mandatory for the enquirer to mention the name of the client or the company to which the query relates. This information will be kept confidential by the Institute.
- d. Enquiry from the regulators would be accepted only when it is received from Director or above level.
- e. No enquiry requiring a written response shall be entertained over phone.
- f. A proper log shall be maintained for incoming enquiries with regular update of the status.
- g. DTS with the consultation of the Chairperson will first decide whether DTS shall respond to the enquiry. If the Chairperson is of the view that the enquiry is of such technical nature that it may affect members at large in future then it will be referred to ASEC.
- h. Enquiry should be acknowledged within three working days of the receipt of the Form.
- i. In case the response to the enquirer contains guidance/paragraph reference/ referring previous opinion of the Institute, then the reply should be sent to the enquirer within seven days of the receipt of the Form, with the approval of the Chairperson.
- j. In case the enquiry is referred to ASEC then formal reply of the enquiry, with the approval of the Chairperson, will be issued to the enquirer within a month from the receipt of the Form or provision of the additional information requested from the enquirer. In case of delay in response, the enquirer should be informed accordingly.
- k. In case the ASEC meeting is not expected to be held in a month, and enquiry is of urgent nature, then ASEC member’s opinion will be obtained by circulating the draft response through email. The reply will be sent to the enquirer with the consensus of members and approval of the Chairperson.

- l. The ASEC reserves its right to decline to respond to any query based on the appropriate consideration of facts and circumstances. If ASEC understands that it would not be in a position to, or should not reply to a query, it will be communicated to the enquirer.
- m. The enquiries responded in the form of opinions will be uploaded on the website in the form of 'Selected Opinions' on bimonthly basis. The identity of the enquirer, their client and reported figures (if any) will not be disclosed in the published Selected Opinions, as far as possible.
- n. It should be clearly understood that although ASEC has been appointed by the Council, an opinion given or a view expressed by the Committee would represent nothing more than the opinion or view of the members of the Committee and not the official opinion of the Council and it cannot be challenged. Disclosure to this fact as a 'disclaimer' shall be the part of all the written opinions issued to the enquirer.
- o. The queries conforming to above Rules should be addressed to the Director, Technical Services Department, The Institute of Chartered Accountants of Pakistan.