

**MEMBERS' HANDBOOK**

**PART IV**

**DIRECTIVES AND IMPORTANT DECISIONS OF  
THE COUNCIL AND ITS COMMITTEES**

**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF PAKISTAN**

# MEMBERS' HANDBOOK

## DIRECTIVES AND IMPORTANT DECISIONS

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**MEMBERS' HANDBOOK**

**PART IV**

**1. STUDENTS' TRAINING EDUCATION  
AND EXAMINATIONS**

**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF PAKISTAN**







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**The Institute of  
Chartered Accountants  
of Pakistan**

**CA**  
**PAKISTAN**

# **EDUCATION AND TRAINING SCHEME 2021**

*Directive 1.01 (Revised 2024)*

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## EDUCATION AND TRAINING SCHEME 2021

In exercise of the powers conferred by section 15 of the Chartered Accountants Ordinance, 1961 (CA Ordinance) read with bye-laws 113 and 129A of Chartered Accountants Bye-Laws, 1983 (CA Bye-Laws), to prescribe the courses, syllabus and stages of education to qualify for membership of the Institute, the Council approves the following scheme:-

### 1. SHORT TITLE AND COMMENCEMENT

- (1) This scheme shall be known as Education and Training Scheme 2021 (the Scheme 2021).
- (2) The Scheme 2021 shall become effective from 01 March 2022 subject to the transitional arrangements specified in this Directive.
- \*(3) The following paragraphs of this Directive shall be effective after gazette notification of the corresponding amendments in CA Bye-Laws:

Paragraph

2(1)(xiii)

2(1)(xiv)

3(1)(ii)

3(1)(iii)

3(2)(iii)

8(1)(ii)

9(1)(i)

9(2)(i)

### 2. DEFINITIONS

- (1) In the Scheme 2021, unless there is anything repugnant in the subject context:
  - (i) **Assessee** means a person enrolled to any test, assessment and examination required by the Institute before admission to the CFAP examination;
  - (ii) **AFC** means Assessment of Fundamental Competencies;
  - (ii) **CAF** means Certificate in Accounting and Finance;
  - (iii) **Chairman** means the Chairman of ETCOM;
  - (iv) **CFAP** means Certified Finance and Accounting Professional;
  - (v) **Directive** means directive issued by the Council or its standing committees under bye-law 129A;
  - (vi) **ETCOM** means the Education and Training Committee;
  - (vii) **Examinee** means a person admitted to the examinations of the Institute;
  - (viii) **Full-time student** means a person registered for appearing in examination of the Institute under the Ordinance or the Bye-Laws made thereunder, and who has not yet started the training prescribed under the bye-laws;
  - (ix) **Institute** means The Institute of Chartered Accountants of Pakistan;
  - (x) **Member** means a member of the Institute;
  - (xi) **MSA** means Multi-Subject Assessment;
  - (xii) **Permitted book** means the books an examinee may carry while attempting the examinations;
  - (xiii) **PRC** means Pre-Requisite Competencies specified under Directive 1.20 Qualifying Assessment Test and Pre-requisite Competencies;

\*The gazette notification of the corresponding amendments in CA Bye-Laws, dated June 1, 2022, was effective from May 24, 2022.

- (xiv) **QAT** means Qualifying Assessment Test specified under Directive 1.20 Qualifying Assessment Test and Pre-requisite Competencies;
  - (xv) **Relevant Degree Awarding Institute (RDAI)** means a degree-awarding university or institute accredited by the Higher Education Commission of Pakistan, which fulfills the criteria specified by the Council;
  - (xvi) **Specified Degree Awarding Institute (SDAI)** means a degree-awarding university or institute accredited by the Higher Education Commission of Pakistan, which fulfills the criteria specified by the Council;
  - (xvii) **Trainee student** means a person who has entered into a contract of training with a member of the Institute, prescribed under the bye-laws, and has been registered as such by the Institute; and
  - (xviii) **Website** means the website of the Institute [www.icap.org.pk](http://www.icap.org.pk).
- (2) Unless the context otherwise requires, all other terms and expressions used but not defined in this Directive shall have the same meaning as assigned to them in the Ordinance and Bye-Laws; and words importing the singular shall include the plural and vice versa.

### 3. REGISTRATION

#### (1) Registration as a full-time student

Any of the following persons, upon application, shall be registered as full-time students:

- (i) Graduates with 16 years of education from a local or foreign university recognized by the competent authority of higher education in Pakistan.
- (ii) Graduates with 14 years of education with 45% aggregate marks or equivalent grades; and who have passed Pre-requisite Competencies (PRC) under Directive 1.20 or obtained exemption from PRC under Directive 1.21.
- (iii) Persons who have completed eligibility requirements for registration by completing or obtaining exemption from Qualifying Assessment Test (QAT) and completing PRC under Directive 1.20 or obtaining exemption from PRC under Directive 1.21.
- (iv) Persons who have passed examinations of such professional accountancy bodies, as approved by the Council for the purpose, and specified in Directive 1.21.
- (v) Persons who have completed eligibility requirements for registration by completing AFC under Directive 1.22 or obtaining exemption from AFC.

#### (2) Registration as a trainee student

Any of the following persons who have attained 16 years of age and offered a training contract by a Training Organization (TO), upon application, shall be registered as trainee students:

- (i) Completed CAF stage or obtained exemption from CAF stage or equivalent examinations of the Institute; and have completed or exempted from applicable Hands-on Courses.
- (ii) Graduated from bachelor program with 16 years of education from a local or foreign university recognized by the competent authority of higher education in Pakistan.
- (iii) Graduated from bachelor program with a minimum of 14 years of education with 45% aggregate marks or equivalent grades from a local or foreign university recognized by the competent authority of higher education in Pakistan; and who have passed PRC under Directive 1.20 or obtained exemption from PRC under Directive 1.21.
- (iv) Graduated from bachelor program with a minimum of 14 years of education with 45% aggregate marks or equivalent grades from a local or foreign university recognized by the competent authority of higher education in Pakistan; and who have passed AFC under directive 1.22 or obtained exemption from AFC.



**(3) Provisional registration**

A person may be provisionally registered in the following circumstances:

- (i) As a trainee student, where certificate or degree of the previous qualification, on which registration is based, is awaited in the normal course; or
- (ii) As an examinee, where 16-year degree program is being undertaken from a recognized degree awarding institute. Provided that in case of failing to complete 16-year degree program, such persons shall be required to apply for registration under 3(1)(iii);
- (iii) any other circumstances deemed appropriate by the Council for any category.

**4. CURRICULUM AND SYLLABUS**

- (1)** Any person seeking membership of the Institute under sub-section (1)(ii) of section 4 of the CA Ordinance shall be required to pass all the subjects of each stage of the Scheme 2021 forming part of the curriculum or obtain exemption therefrom.

**(2) Curriculum**

The examinations of the Institute shall consist of the following stages and subjects:

**(i) Certificate in Accounting and Finance (CAF)****Group A**

CAF-1 Financial Accounting and Reporting-I

CAF-2 Tax Practices

CAF-3 Cost and Management Accounting

CAF-4 Business Law

**Group B**

CAF-5 Financial Accounting and Reporting-II

CAF-6 Managerial and Financial Analysis

CAF-7 Company Law

CAF-8 Audit and Assurance

**\*Gateway Examinations**

GWE 1 Financial Accounting and Reporting (60%) Cost and Management Accounting (40%)

GWE 2 Audit and Assurance (50%) Tax Practices (50%)

**(ii) Certified Finance and Accounting Professional (CFAP)**

CFAP-1 Advanced Accounting and Financial Reporting

CFAP-2 Advanced Corporate Laws and Practices

CFAP-3 Strategy and Performance Measurement

CFAP-4 Business Finance Decisions

CFAP-5 Tax Planning and Practices

CFAP-6 Audit, Assurance and Related Services

**(iii) Multi-Subject Assessment (MSA)**

MSA-1 Financial Reporting and Assurance Professional Competence

MSA-2 Management Professional Competence

- (3)** The curriculum shall be implemented in accordance with the transition policy specified in this Directive read with Directive 1.20.

\*373<sup>rd</sup> Council Meeting held on September 22-23, 2023

**(4) Syllabus**

- (i) The contents and learning outcomes of each subject are attached as Annexure –A.
- (ii) Where a specific reference to any legislation, guideline, standard and other similar document is given in the syllabus, it shall be deemed to cover any subsequent amendments that may be made therein from time to time, subject to the timelines mentioned in this paragraph.
- (iii) Any revision and amendment in legislation, standard, code, guideline and statement shall not be part of the syllabus before six months period prior to the month of examinations has elapsed:
  - (a) in case of legislation, from the date of publication thereof by the issuing authority;
  - (b) in case of change, revision or issuance of new standard, code, guideline and statement, from the date of publication of study material by the Institute or date of application prescribed by the issuing authority of the same, whichever is later.

Provided that Finance Act or Ordinance, and notifications and circulars relating to Finance Act or Ordinance, issued four months prior to the month of examinations shall be considered forming part of the syllabus, in case of CFAP and MSA.

**(5) Amendments not to be treated as revision/changes in syllabus**

The Institute shall have the power to:

- (i) make corrections of editorial nature;
- (ii) insert new legislation, guideline, standard and other similar document that have repealed or replaced legislation, guideline, standard and other similar document already included in the existing syllabus;
- (iii) delete the repealed or withdrawn legislation, guideline, standard and other similar document included in the existing syllabus;
- (iv) decide the applicability of ordinances issued by the competent authority and is pending approval of national assembly and senate, as the case may be.

Provided that all such amendments in Directive shall be ratified by the Council, preferably, in the next immediate meeting and shall be made part of the minutes of such meeting.

**(6) Revision of curriculum and syllabus**

- (i) Any subsequent revision in curriculum and syllabus, other than changes specified in paragraph 4(5), shall be approved by the Council.
- (ii) All relevant committees and directorates shall engage in formal consultation during the process of revision in curriculum and syllabus.
- (iii) The full scope revision in education and training scheme shall be undertaken by the Council at least every fifth year from the date of the last revision or earlier if deemed necessary.

**(7) Hands-on Courses (HOC)**

- (i) There shall be three hands-on courses, unless exempted and subject to transition under this Directive, to be completed at various stages of qualifications as follows:
  - (a) Presentation and Personal Effectiveness (PPE)
  - (b) MS Office
  - (c) Data Analytics and Fin-Tech
- (ii) Hands-on courses on PPE and MS Office shall be completed:
  - (a) any time before the commencement of training by the persons joining training on CAF basis on or after 01 March 2023. \*Provided that students joining training from 1 March 2023 to 31 August 2023 shall be required to complete the hands-on courses on PPE and MS office before 31 August 2023.
  - (b) any time before attempting CFAP by the persons joining training on graduation basis on or after 01 March 2022.

\*363<sup>rd</sup> Council Meeting dated December 8-9, 2022

- (iii) \*\*The assessment of Hands-on course on Data Analytics and Fin-Tech shall be passed at any time before attempting MSA.
- (iv) The Hands-on course may be conducted by the Institute or any other party as approved by the Institute.
- (v) \*\*For Data Analytics and Fin-Tech course, the Institute shall conduct its own assessment on completion of the course. Such assessments shall be offered by the Institute on a quarterly basis. The Institute may designate a Test Center for the conduct of the assessment on completion of the course.
- (vi) The learning outcomes of courses are specified in Annexure – A.

#### **(8) Course on Professional Values, Ethics and Attitude (PVEA)**

- (i) Trainee students shall be required to complete online courses on PVEA:
  - (a) before issuance of Form-O (Certificate of service and fitness for appearing at the CFAP Level Examinations) under byelaw 125, effective from Winter 2022 attempt; and
  - (b) before issuance of Form-S (Certificate of Completion of Service Under Training Contract) under bye-law 106 (2).
- (ii) The learning outcomes of the Course on PVEA are specified in Annexure – A.
- (iii) TO shall only issue Forms-O and S after verifying successful completion of the Course on PVEA at both stages.

### **5. EXEMPTIONS**

Exemptions are specified in Directive 1.21.

### **6. FEES AND REFUNDS**

#### **(1) Fees.**

The schedule of the fees shall be specified by the Council from time to time.

#### **(2) Refunds**

- (i) The fees paid by a person shall not be refunded except for registration as a full-time or as a trainee student, if the person is found ineligible for registration and applies to the Institute on the prescribed form.
- (ii) Fees for examinations shall be refunded in accordance with the provisions of bye-law 116.

### **7. EXAMINATIONS**

#### **(1) Admission to examinations**

Persons shall be admitted to examinations if they:

- (i) have been registered either as full-time students or trainee students;
- (ii) are eligible to appear in the examination, under the progression rules specified in this Directive; and
- (iii) have submitted the examination form along with the prescribed fee, within the specified dates.

#### **(2) Time and place of examination**

- (i) All examinations shall be held at such time and place as the Institute may determine from time to time.
- (ii) The Institute shall notify such information on the website periodically at least once each year.
- (iii) The Institute shall have the power to change the time and place of examinations after giving prior notice to the examinees through any or all of the mediums, namely, website, email, short messaging service, Institute's social networking sites and postal service.

\*\*378<sup>th</sup> Council Meeting dated January 20, 2024

**(3) Open book examinations**

(i) Examinees shall be permitted to carry/access books in certain examinations as specified below:

<b>Paper</b>	<b>Permitted book</b>
CFAP-1 Advanced Accounting and Financial Reporting	Handbook of International Financial Reporting Standards and ICAP Code of Ethics for Chartered Accountants (as prescribed from time to time with current version being Revised 2019).
CFAP-2 Advanced Corporate Laws and Practices	- Anti-money Laundering Act, 2010
	- Anti-money Laundering Regulations, 2015
	- Companies (Distribution of Dividends) Regulations, 2017
	- Companies (Further Issue of Shares) Regulations, 2020
	- Companies (General provisions and forms) Regulations, 2018
	- Companies (Incorporation) Regulations, 2017
	- Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017
	- Companies (Postal Ballot) Regulations, 2018
	- Companies (Related Party Transactions & Maintenance of Related Records) Regulations, 2018
	- Companies (Manner and Selection of Independent Directors) Regulations, 2018
	- Companies Act, 2017
	- Companies Ordinance, 1984
	- Competition Act, 2010
	- Corporate Rehabilitation Act 2018
	- Corporate Rehabilitation Regulations, 2019
	- Corporate Restructuring Companies Act, 2016
	- Corporate Restructuring Companies Rules, 2019
	- Employees Contributory Fund (Investment in Listed Securities) Regulations, 2018
	- Foreign Exchange Manual of State Bank of Pakistan
	- ICAP Code of Ethics for Chartered Accountants (as prescribed from time to time with current version being Revised 2019)
	- Insurance Ordinance, 2000
	- Listed Companies (Buy- Back of Shares) Regulations, 2019
	- Listed Companies (Code of Corporate Governance) Regulations, 2019
	- Listed Companies (Substantial Acquisition of voting shares and Takeovers) Regulations, 2017
	- NBFC (Establishment and Regulation) Rules 2003
	- Pakistan Stock Exchange Rule Book
- Payment System and Electronic Fund Transfer Act, 2007	
- Private Placement of Securities Rules, 2017	
- Public Offering Regulations, 2017	

Paper	Permitted book
	<ul style="list-style-type: none"> <li>- Public Sector Companies (Corporate Governance) Rules, 2013</li> <li>- Securities Act, 2015</li> <li>- The Banking Companies Ordinance, 1962</li> <li>- The Non-Banking Finance Companies and Notified Entities Regulations, 2008</li> </ul> <p><b>**Note:</b> Hard copies of the books will not be permitted in the examination hall. Link to digital versions of the Bare Acts will be provided in the examination software.</p>
CFAP-4 Business Finance Decisions	*Formula sheets will be provided by the Institute.
CFAP-5 Tax Planning and Practices	<ul style="list-style-type: none"> <li>- Income Tax Ordinance, 2001 and related rules</li> <li>- Sales Tax Act, 1990 and related rules</li> <li>- The Provincial Sales Tax Acts</li> <li>- The Islamabad Capital Territory (Tax on Services) Ordinance, 2001</li> <li>- Federal Excise Act, 2005 and related rules</li> <li>- ICAP Code of Ethics for Chartered Accountants (as prescribed from time to time with current version being Revised 2019)</li> </ul> <p><b>**Note:</b> Hard copies of the books will not be permitted in the examination hall. Link to digital versions of the Bare Acts will be provided in the examination software.</p>
CFAP-6 Audit, Assurance and Related Services	Handbook of International Auditing and Assurance Pronouncements and ICAP Code of Ethics for Chartered Accountants (as prescribed from time to time with current version being Revised 2019).
MSA-1 Financial Reporting and Assurance Professional	Any five books in total from amongst those books specified for subjects comprising this paper.
MSA-2 Management Professional Competence	Any five books in total from amongst those books specified for subjects comprising this paper.

- (a) Only original books duly bound shall be permitted, where applicable.
- (b) Examinees shall be permitted to highlight or underline the text in the permitted books.
- (c) Any decision taken by the Institute regarding permission to carry a book in the examinations shall be final.

#### (4) Use of unfair means

- (i) An examinee shall be considered guilty of using unfair means if the examinee's actions are likely to give an unfair advantage to the examinee or to any other examinee.

\*373<sup>rd</sup> Council Meeting held on September 22-23, 2023

\*\* 375<sup>th</sup> Council Meeting - November 16-17, 2023

(ii) The Examination Committee shall have the power to take appropriate action in the matter, as below:

Level	Offences under unfair means	Disciplinary Action
	<b>For Online Proctor Exams:</b>	
1	<ul style="list-style-type: none"> <li>Whispering/speaking both on and off-camera including appearance of the same.</li> </ul>	Warning
	<ul style="list-style-type: none"> <li>Suspicious moves or actions such as attempt to move away from the webcam or signaling someone, or appear to reach or hold objects off camera, writing or scribbling, etc.</li> </ul>	
	<ul style="list-style-type: none"> <li>Keeping pen, paper, books or any other prohibited material within arms' reach.</li> </ul>	
	<ul style="list-style-type: none"> <li>Other offence(s) of similar nature and intensity</li> </ul>	
2	<ul style="list-style-type: none"> <li>Writing notes on the desk before the start of the examination.</li> </ul>	Cancellation of paper
	<ul style="list-style-type: none"> <li>Use of electronic communication devices (e.g. mobile phone, Bluetooth or similar devices, earphone, headphone, etc.) for any purpose except for receiving call of the Proctor or Examination admin team from specified numbers.</li> </ul>	
	<ul style="list-style-type: none"> <li>Copy or transfer any examination material/screen on computer or mobile phone including but not limited to using print screen, photographing or any other function or means.</li> </ul>	
	<ul style="list-style-type: none"> <li>Attempt to write on paper, desk, table, etc. during the examination.</li> </ul>	
	<ul style="list-style-type: none"> <li>Repeating offence(s) of Level 1 (both under in-person policy and remote proctoring policy) of which cognizance has been taken earlier on the same day or on any other day of same or subsequent examination attempt.</li> </ul>	
3	<ul style="list-style-type: none"> <li>Use of materials of all kind (including paper slips) containing examination relevant material, except for those specifically allowed under exam policies.</li> </ul>	Cancellation of paper or cancellation of the current attempt (maximum penalty)
	<ul style="list-style-type: none"> <li>Any information written on hands, arms, dress, admit card, etc.</li> </ul>	
	<ul style="list-style-type: none"> <li>Leaving the examination room without the permission of the Proctor for any purpose whatsoever.</li> </ul>	
	<ul style="list-style-type: none"> <li>Non-compliance of given instructions or denial to follow the Proctor's instructions.</li> </ul>	

Level	Offences under unfair means	Disciplinary Action
	<ul style="list-style-type: none"> <li>Repeating offence of Level 2 (both under in-person policy and remote proctoring policy) of which cognizance has been taken earlier on the same day or on any other day of same or subsequent examination attempt.</li> </ul>	
	<ul style="list-style-type: none"> <li>Other offences of similar nature and intensity.</li> </ul>	
4	<ul style="list-style-type: none"> <li>Attempt to threaten or abuse the Proctor to influence him/her during exam.</li> </ul>	Debarred from attempting examination for a period not exceeding two years.
	<ul style="list-style-type: none"> <li>Repeating offence(s) of Level 2 &amp; 3 (both under in-person policy and remote proctoring policy) of which cognizance has been taken earlier, in the same or subsequent attempt.</li> </ul>	
	<ul style="list-style-type: none"> <li>Other offences of similar nature and intensity.</li> </ul>	
5	Proxy sitting in lieu of authorized student.	The student who allows any other person to sit on his/her behalf shall be debarred for life. The person who attempts the examination shall be debarred for life if he/she is an ICAP student. An FIR for criminal offence may be lodged against that person if he/she is not an ICAP student.
<b>For In person Exams:</b>		
1	Cheating, helping or taking help from others while attempting an examination;	Cancel the result of the paper in which the examinee is found guilty of using unfair means.
2	Using electronic gadgets, other than those permitted by the Institute through notification, while attending the examination;	Cancel results of any number of papers attempted by the examinee in addition to the paper in which the examinee is found guilty of using unfair means.
3	Mentioning name/roll number/ any other identification mark or signing on answer script except on the specified portion which is specifically provided for this purpose; and	Suspend admission to examination for a period deemed appropriate, but not exceeding two years.
4	Writing unsolicited remarks on the answer script.	Suspend registration for a period deemed appropriate, but not exceeding two years.

**(5) Examination results**

- The passing marks shall be 50% in each subject.
- Only the marks obtained by persons in the paper(s) which they fail to pass shall be disclosed to them.

**(6) Review of answer scripts**

- An examinee who fails to pass an examination may apply to the Institute within 30 days from the declaration of result, on a specified form after paying the specified fee, for a review of answer script.

- (ii) The review shall involve:
  - (a) Checking that the marking process is free from errors and omissions.
  - (b) Marks were correctly counted and reflected in the results of the examinee.
- (iii) The response of the review application shall be sent to the applicant within 40 days of the receipt of an application by the Institute.
- (iv) Another scheme by the name of Student Feedback Scheme is also available under Institute notification effective from Summer 2014 examination.

### **(7) Special arrangements**

- (i) An examinee may apply to the Institute 20 days prior to the first day of the month in which examinations are to be held, for special arrangements required due to any health or physical condition.
- (ii) The limit of 20 days' prior notice may be waived or relaxed by the Institute in case of emergency or under circumstances beyond the control of the examinee.
- (iii) The Institute shall have sole discretion to accept or reject the application to the extent deemed appropriate by the Institute.

## **8. RULES OF PROGRESSION**

### **(1) Appearance in the Examination**

#### **(i) \*CAF**

- (a) Examinees shall be permitted to attempt papers of CAF if they fulfill the registration requirements under directive 1.20 or pass AFC/PRC under directive 1.22.
- (b) Examinees shall be allowed to take up to a maximum of four papers in one sitting from any group.
- (c) Examinees will be permitted to appear in CAF – 5 (Financial Accounting & Reporting II) paper on passing CAF – 1 (Financial Accounting & Reporting I) paper.
- (d) Examinees will be permitted to appear in CAF-6 (Managerial and Financial Analysis) paper on passing CAF 3 (Cost and Management Accounting) paper.

\*\*Provided para 8(1)(i)(c) and para 8(1)(i)(d) shall not be applicable if an examinee has passed all papers of CAF Stage other than:

1. CAF – 1 (Financial Accounting & Reporting I) and CAF – 5 (Financial Accounting & Reporting II) papers; or
2. CAF – 3 (Cost and Management Accounting) and CAF – 6 (Managerial and Financial Analysis) papers.

Provided further that para 8(1)(i)(c) and para 8(1)(i)(d) shall not be applicable in the last 12 months of the maximum period to pass CAF.

#### **(ii) CFAP and MSA**

Students who:

- (a) have completed twelve months of training prescribed under the bye-laws on or before the first day of the month in which examination is to be held; and
  - (b) have passed or obtained exemptions from all papers of CAF shall be eligible to attempt CFAP.
- (iii)** Unless a lower number of papers remains, a student shall attempt a minimum of two papers at the CFAP and MSA level.
- (iv)** Examinees who have passed the following papers of CFAP shall be eligible to attempt 'MSA-1 Financial Reporting and Assurance Professional Competence':
- (a) Advanced Accounting and Financial Reporting
  - (b) Audit, Assurance and Related Services

\* 360th Council Meeting held on July 19, 2022 and 370th Council Meeting held on June 9-10, 2023

\*\*375th Council Meeting - November 16-17, 2023



- (v) Examinees who have passed the following papers of CFAP shall be eligible to attempt 'MSA-2 Management Professional Competence':
- (a) Strategy and Performance Measurement
- (b) Business Finance Decisions

**(2)\*Appearance in Gateway Examinations**

- (i) A person who holds a four year degree from RDAI and obtains exemption from all papers mentioned in paragraph 3(1)(ii) of Directive 1.21 Exemption shall have the option to appear in any of the following Gateway Examinations in place of the examinations mentioned thereunder:
- (a) GWE-1 Accounting & Reporting (60%) and Cost & Management Accounting (40%)
- CAF-3 Cost and Management Accounting
- CAF-5 Financial Accounting and Reporting – II
- (b) GWE–2 Audit & Assurance (50%) and Taxation (50%)
- CAF-2 Tax Practices
- CAF-8 Audit and Assurance
- (ii) This paragraph does not restrict such candidates to appear in the full length examinations equivalent to Gateway Examinations irrespective of opting for Gateway Examination in any previous attempts.

**(3) Maximum number of attempts / maximum period allowed to pass all exams under this scheme**

- (i) Effective from Spring 2022 attempt, examinees appearing in CAF for the first time shall have a maximum of four years from the date of the first attempt to pass all papers at this stage. Provided that examinees who have no more than two papers remaining shall be permitted an additional one year to pass the remaining papers.

\*\*Provided further that examinees shall have additional two attempts on reaching the maximum period under paragraph 8(3) (i).

- (ii) Examinees whose training commence after 01 March 2022, shall not be admitted to any further examinations of CFAP and MSA unless they have passed four papers of CFAP level within ten years from the date of commencement of their training period. Provided that persons who have passed all papers except two papers of CFAP shall have no limitation as regard the number of attempts.
- (iii) Subject to paragraph 8(2)(ii) there shall be no limitation of attempts on examinees appearing in MSA.

- (4) An attempt shall be counted when a person is issued the admit card and signs the attendance sheet in the examination.

## 9. TRANSITION TO THE SCHEME 2021

- (1) The credit shall be awarded in the following manner irrespective of new composition of papers in the respective stage:

**(i) Stage wise credit for AFC qualified**

S. No.	Education and Training Scheme 2013	The Scheme 2021
1	Assessment of Fundamental Competencies (AFC)	Pre-Requisite Competencies (PRC)

\*373<sup>th</sup> Council Meeting held on September 22-23, 2023

\*377<sup>th</sup> Council Meeting held on January 5, 2024

**(ii) Stage wise credit for CAF, CFAP and MSA qualified**

2	Certificate in Accounting and Finance (CAF)	Certificate in Accounting and Finance (CAF)
3	Certified Finance and Accounting Professional (CFAP)	Certified Finance and Accounting Professional (CFAP)
4	Multi-subject Assessment (MSA)	Multi-subject Assessment (MSA)

**(2) Paper-wise credit for an incomplete stage**

The following mapping shall apply to only incomplete stages of Education Scheme 2013.

**(i) Credit for AFC passed or exempted papers**

Subjects before the commencement of the Scheme 2021		The Scheme 2021	
Code	Paper	Code	Paper
AFC-1	Functional English	PRC-1	Business Writing and Comprehension Skills
AFC-2	Business Communication		
AFC-3	Quantitative Methods	PRC-2	Quantitative Methods
AFC-4	Introduction to Information Technology	PRC-5	Introduction to Business

**(ii) Credit for CAF passed or exempted papers**

Subjects before the commencement of the Scheme 2021		The Scheme 2021	
Code	Paper	Code	Paper
CAF-1	Introduction to Accounting	PRC 4	Introduction to Accounting
CAF-2	Introduction to Economics and Finance	PRC 3	Principles of Economics
CAF-3	Business Law	CAF-4	Business Law
		CAF-7	Company Law
CAF-4	Business Management & Behavioural Studies	CAF-6	Managerial and Financial Analysis
CAF-5	Financial Accounting and Reporting – I	CAF-1	Financial Accounting and Reporting – I
CAF-6	Principles of Taxation	CAF-2	Tax Practices
CAF-7	Financial Accounting and Reporting – II	CAF-5	Financial Accounting and Reporting – II

CAF-8	Cost and Management Accounting	CAF-3	Cost and Management Accounting
CAF-9	Audit and Assurance	CAF-8	Audit and Assurance

**(d) Credit for CFAP and MSA passed papers**

Subjects before the commencement of the Scheme 2021		The Scheme 2021	
Code	Paper	Code	Paper
CFAP-1	Advanced Accounting and Financial Reporting	CFAP-1	Advanced Accounting and Financial Reporting
CFAP-2	Corporate Laws	CFAP-2	Advanced Corporate Laws and Practices
CFAP-3	Business Management and Strategy	CFAP-3	Strategy and Performance Measurement
CFAP-4	Business Finance Decisions	CFAP-4	Business Finance Decisions
CFAP-5	Advanced Taxation	CFAP-5	Tax Planning and Practices
CFAP-6	Audit, Assurance and Related Services	CFAP-6	Audit, Assurance and Related Services
MSA-1	Financial Reporting and Assurance Professional Competence	MSA-1	Financial Reporting and Assurance Professional Competence
MSA-2	Management Professional Competence	MSA-2	Management Professional Competence

**(e) Credit for Hands-on Courses**

PCSC	Presentation and Communication Skills Course	PPE	Presentation and Personal Effectiveness
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**(3) Transitions****CAF**

- (i) The transition for examinees who have appeared but have not passed all CAF papers before Spring 2022 attempt, under Education and Training Scheme 2013, shall be as follows:
- They shall be given credit in CAF under the Scheme 2021 according to the mapping specified in this paragraph.
  - They shall be required to pass remaining CAF papers under the Scheme 2021 within the period specified in this paragraph.
  - They shall have a maximum period calculated in the manner specified in this paragraph to pass all papers of CAF. The period shall be computed in months worked out as six times of the number of paper they have yet to pass on 01 March 2022. Provided that examinees who have no more

than three papers remaining on 01 March 2022 shall have twenty-four months to pass the remaining papers.

\*In addition, examinees shall have additional two attempts on reaching the maximum period under paragraph 9(3) (c).

Provided further that examinees who have no more than two papers remaining shall be permitted an additional one year to pass the remaining papers at the end of maximum period specified in this paragraph.

#### **CFAP**

- (ii) The transition for examinees who have completed their training or are undergoing training on 01 March 2022 and have not passed CFAP papers before the Summer 2022 attempt, under Education and Training Scheme 2013, shall be as follows:
  - (a) They shall be given credit in CFAP under the Scheme 2021 according to the mapping specified in 9(2)(iii) above.
  - (b) They shall be required to pass at least four papers of CFAP within ten years from Summer 2022 attempt. Provided that persons who have passed all papers except two papers of CFAP shall have no limitation as regards the number of attempts.

#### **Hands-on courses**

- (iii) Persons joining training before 01 March 2022 shall not be required to complete hands-on courses.

## **10. TRAINING REGULATIONS AND GUIDELINES**

The training regulations and guidelines are specified in Directive 1.03.

## **11. RELEVANT DEGREE AWARDING INSTITUTE (RDAI) AND SPECIFIED DEGREE AWARDING INSTITUTE (SDAI)**

The procedure to grant the status of Relevant Degree Awarding Institute and Specified Degree Awarding Institute to a university is specified in Directive 1.04.

## **12. REMOVAL OF DIFFICULTY**

The Council of the Institute shall have the powers to take such decisions as may be necessary to remove any difficulty arising from this Directive. Further, the Council of the Institute has delegated powers for the purpose of removing the difficulty of operational nature in implementation of this Directive to the Chairman ETCOM and the Chairman Examination Committee.

## **13. REPEAL**

- (1) This Directive shall repeal the Directive 1.01 – Education and Training Scheme 2013 on March 1, 2022.
- (2) Paragraph 1(3) shall be deemed as deleted with effect from the date of gazette notification of corresponding amendments in CA Byelaws 1983.

\*\*377<sup>th</sup> Council Meeting held on January 5, 2024

**Annexure – A****SYLLABUS**

Proficiency and testing levels are mentioned against each learning outcome within the syllabus and are explained below:

**Proficiency levels**

The proficiency level is the description of pitch of the performance expected from the person taking action. The levels are as follows:

Level of Proficiency	Description
P1	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity and uncertainty.</p>
P2	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analyzing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communication, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
P3	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> <li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li> <li>• Assessing, researching, and resolving complex problems with limited supervision;</li> <li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li> <li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li> </ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

## Testing Levels

Testing levels are the maximum marks assigned to a topic for examination purposes. The levels are as follows:

Testing Levels	Description
T1	The maximum limit per topic and a maximum aggregate limit of testing level-1 topics will be 8 marks and 35 marks respectively in an attempt. Topics covered in testing level 1 will include the following: <ul style="list-style-type: none"> <li>(i) Topics that are specifically identified as testing level 1 for a specified professional stage.</li> <li>(ii) All topics assessed at earlier stages of qualification.</li> <li>(iii) New topics included in the syllabus for the first time.</li> </ul>
T2	The maximum limit per topic of this level 2 will be 20 marks.
T3	The maximum limit per topic of this level 3 will be 25 marks.
	Any new topic included in the syllabus will be tested in the first attempt at level 1 irrespective of the testing level mentioned in the syllabus. Any amendment or replacement of existing laws, IFRS, ISAs, Code of Ethics, etc. will not be considered as the inclusion of a new topic in the syllabus.

**CAF-1: FINANCIAL ACCOUNTING AND REPORTING-I**

Competency
Apply selected international standards on financial reporting.

Syllabus Ref.	Grid	Teaching hours	Weightage
A	Preparation of Financial Statements	52-55	35-45
B	Conceptual Framework and Interpretation of Financial Statements	20-30	20-30
C	Accounting for Financial Transactions	40-45	30-40
	<b>Total</b>	<b>110-130</b>	<b>100</b>

**Key Examinable Technical Competencies**

Syllabus Ref.	Learning Outcomes	Proficiency levels	Testing levels
<b>A</b>	<b>Preparation of Financial Statements</b>		
1	Prepare the statement of changes in equity.	P2	T2
2	Prepare the statement of cash flows.	P2	T2
3	Analyze the impact of errors on the financial statements within a reporting period.	P2	T1
4	Apply the principles and concepts of selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors.	P2	T1
5	Compare the usefulness of cash flow information with that of a statement of profit or loss or a statement of profit or loss and other comprehensive income.	P2	T1
6	Prepare financial statements for non-profit organizations.	P2	T2
<b>B</b>	<b>Conceptual Framework and Interpretation of Financial Statements</b>		
1	Apply and discuss the requirements of the conceptual framework for financial reporting.	P2	T1
2	Calculate and interpret ratios to give an assessment of an entity's performance and financial position with different benchmarks and discuss window dressing of financial statements to produce the desired effect.	P2	T2
3	Apply the principles and concepts concerning measurement, retrospective adjustments, presentation and disclosure of basic and diluted earnings per share.	P2	T2
<b>C</b>	<b>Accounting for Financial Transactions</b>		
1	Apply the principles and concepts of recognition, measurement at recognition and after recognition and disposal of property plant and equipment, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognized in relation to them.	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency levels	Testing levels
2	Apply the principles and concepts of accounting and disclosure of Government grants, other Government assistance and loans granted by the government (subsidized and forgivable).	P2	T1
3	Apply the principles and concepts of recognition, measurement and disclosure of borrowing costs.	P2	T1
4	Apply the principles and concepts of carrying assets (other than cash-generating unit and goodwill) at no more than their recoverable amount and recognition of impairment loss and reversal thereof.	P2	T1
5	Apply the principles and concepts of recognition, measurement, transfer, disposal and disclosure of Investment Property	P2	T2

#### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspectives through research, integration and analysis.
2	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions.
3	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.
4	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.

#### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.

#### Specific Examinable Knowledge Reference

1	IAS 1: Presentation of Financial Statements
2	IAS 7: Statement of Cash Flows
3	IAS 8: Accounting policies, changes in accounting estimates and errors
4	IAS 16: Property, plant and equipment
5	IAS 20: Accounting for government grants and disclosure of government assistance
6	IAS 23: Borrowing costs
7	IAS 36: Impairment of assets
8	IAS 40: Investment property
9	Conceptual Framework for financial reporting: - Recognition and measurement of the elements of financial statements - Concepts of capital and capital maintenance
10	IAS 33: Earnings per share
11	Accounting standards for Not-for-profit organizations



## CAF-2: TAX PRACTICES

Competency
Prepare income and sales tax information.

Syllabus Ref.	Grid	Teaching Hours	Weightage
A	Objective, System and Historical Background, Constitutional Provisions and Ethics	10-15	5-10
B	Income Tax Laws	70-80	60-75
C	Sales Tax Laws	30-35	20-30
	<b>Total</b>	<b>110-130</b>	<b>100</b>

### Key Examinable Technical Competencies

Syllabus Ref.	Learning Outcomes	Proficiency levels	Testing levels
<b>A.</b>	<b>Objective, System and Historical Background, Constitutional Provisions and Ethics</b>		
<b>a</b>	<b>Basic Concepts of taxation and Constitutional Provisions</b>		
1	Discuss the implication of direct and indirect taxation.	P1	T1
<b>b</b>	<b>Federal and Provincial Financial Procedures</b>		
1	Describe Federal Consolidated Fund and Public Account.	P1	T1
2	Describe Provincial Consolidated Fund and Public Account.	P1	T1
3	Explain the provisions related to the distribution of revenues between the Federation and Provinces.	P1	T1
4	Discuss taxes that can be raised under the authority of Parliament.	P1	T1
5	Describe the powers of provincial assemblies in respect of provincial taxes.	P1	T1
<b>c</b>	<b>Ethics</b>		
1	Discuss the objectives and rights of the state to tax its citizens.	P1	T1
2	Discuss morality behind compliance with tax laws by taxpayers and tax practitioners.	P2	T1
3	Describe the powers vs ethical responsibilities of tax implementation authorities	P2	T1
4	Discuss pillars of tax administration, namely; fairness, transparency, equity and accountability.	P2	T1
5	Explain the basic difference between evasion and avoidance of tax.	P1	T1
<b>B.</b>	<b>Income Tax Laws</b>		
<b>a</b>	<b>Central Concepts</b>		
1	Describe the central concepts and scope of income	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency levels	Testing levels
<b>b</b>	<b>Chargeability and Computation of Income and Tax</b>		
1	Compute income, taxable income and tax thereon under various heads of income for non-corporates i.e. salary, income from property, income from business, capital gains and income from other sources.	P2	T2
2	Apply the provisions relating to carry forward, deductible allowances, set-off of losses, tax credit and tax exemptions / concessions.	P2	T2
<b>c</b>	<b>Procedural Aspects: Returns, Assessments, Appeals and Records</b>		
1	Explain tax compliance requirements and related submissions	P2	T2
2	Identify persons required to furnish a return of income and wealth statement.	P2	T2
3	Explain the provisions of law relating to the method of filing, revision, due dates for filing and extension in the date for filing of return/statement.	P2	T2
4	Prepare return of income and wealth statement along with its reconciliation.	P2	T2
5	Communicate with Inland Revenue Authorities (filing applications, representations and extensions).	P2	T2
6	Explain the provisions of law relating to various types of assessment.	P2	T2
7	Discuss the provisions of law relating to maintenance of records and audit of income tax affairs of a person.	P2	T2
8	Describe procedure involved in appeals before various appellate authorities i.e. Commissioner (Appeals), Appellate Tribunal, High Court and Supreme Court.	P2	T2
9	State provisions of law relating to alternative dispute resolution.	P2	T2
<b>C.</b>	<b>Sales Tax Laws</b>		
<b>a</b>	<b>Scope and Payment of Tax</b>		
1	Calculate sales tax (output and input) on taxable supplies (including zero-rated and exempt supplies).	P2	T2
2	Discuss the time and manner of sales tax liability and its payment.	P2	T2
3	Calculate apportionment of input tax and carry forward/refund thereof.	P2	T2
<b>b</b>	<b>Registration</b>		
1	Describe the types, requirements and procedures involved for registration, de-registration and returns.	P2	T2
<b>c</b>	<b>Book Keeping and Invoicing Requirements</b>		
1	List the records to be kept by a registered person and explain the related retention requirements and procedures involved in the audit.	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency levels	Testing levels
2	State the significance of tax invoice, debit and credit notes and their related requirements.	P1	T1
3	Explain the procedure for the destruction of goods.	P2	T2

### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspective through research, integration and analysis.
2	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions.
3	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.

### Key Examinable Professional Values, Ethics and Attitudes

1	Apply an inquiring mind when collecting and assessing data and information
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
3	Identify threats to compliance with the fundamental principles of ethics.

### Specific Examinable Knowledge Reference

1	Article 78 to 88 of the Constitution of Pakistan
2	Article 118 to 127 of the Constitution of Pakistan
3	Article 160 to 165A of the Constitution of Pakistan
4	Sections 43 to 53 in the Fourth Schedule attached to the Constitution.
5	Code of Ethics for Chartered Accountants (Revised 2019) Sections 604.1 to 604.6A1
	<b>Income Tax Ordinance, 2001</b>
6	Clauses of Section 2: (1, 3, 3C, 5, 5A, 8, 9, 10, 10A, 11A, 13AA, 16, 19, 19A, 20, 21, 22, 23, 29, 29A, 29C, 30AC, 30AE, 32, 33, 36, 38A, 41, 44A, 45, 46, 47, 49, 54, 63, 66, 68) and other definitions covered under relevant sections
7	Chapter II - (excluding Sections 4B, 5A, 5AA, 6, 7, 7A, 7C, 7D)
8	Chapter III - (excluding Sections 23B, 29A, 30, 31, 36, 49, 56A, 57A, 59AA, 59B, 64B, 65B, and 65E)
9	Chapter IV - (excluding Sections 78 and 79)
10	Chapter V - (excluding Part II Division III, Part IV and V)
11	Chapter VII - Part II only
12	Chapter IX – Section 113 only
13	Chapter X – [(Part I, II, III) and (Part VIII - Sections 174 and 177 only)]
14	Schedules: Relevant Parts of First, Second, Third and Sixth Schedules
	<b>Income Tax Rules, 2002</b>
15	Income tax rules related to the above provisions of the Income Tax Ordinance, 2001
	<b>Sales Tax Act, 1990</b>
16	Clauses of Section 2: 3, 5AA, 5AB, 7, 9, 9A, 11, 12, 13, 14, 16, 17, 19, 20, 21, 22A, 25, 27, 28, 29A, 31, 33, 35, 37, 39, 40, 41, 43, 44, 46, 47, 48
17	Chapters II, III, IV and V
18	Chapter X: Section 73
	<b>Sales Tax Rules, 2006</b>
19	Chapter I, II, III and IV

### CAF-3: COST AND MANAGEMENT ACCOUNTING

Competency
Prepare, account for, record and report production cost of goods and services for managerial decision making.

Syllabus Ref	Grid	Teaching Hours	Weightage
A	Costs Associated with Production	45-50	35-45
B	Cost Flow	20-30	20-30
C	Cost Management Planning and Decisions	45-50	30-40
	<b>Total</b>	<b>110-130</b>	<b>100</b>

#### Key Examinable Technical Competencies

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing level
<b>A.</b>	<b>Costs Associated with Production</b>		
<b>a</b>	<b>Production Cost</b>		
1	Identify elements of cost of product, job or services.	P2	T1
2	Account for elements of cost to accumulate the cost of product, job or services using absorption, marginal and activity-based costing.	P2	T2
3	Account for over or under-absorbed overheads.	P2	T1
4	Apply inventory valuation techniques for finished goods inventory in the absorption costing system.	P1	T1
<b>b</b>	<b>Raw Material</b>		
1	Apply inventory valuation and measurement techniques for raw material inventory.	P2	T2
<b>c</b>	<b>Manufacturing Overhead</b>		
1	Analyze costs of production and service departments for allocation and apportionment of production costs.	P2	T2
2	Calculate predetermined factory overheads rate.	P2	T2
<b>d</b>	<b>Labour</b>		
1	Discuss productivity and efficiency measurement in relation to controlling labor costs.	P2	T1
2	Explain the concept of remuneration systems, incentive wage plans and types therein.	P2	T1
3	Compute the impact of a learning curve on the productivity of employees.	P2	T1
<b>B.</b>	<b>Cost Flow</b>		
<b>a</b>	<b>Process Costing</b>		
1	Analyze and account for the flow of cost in the process costing system.	P2	T2

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing level
2	Analyze and account for normal and abnormal loss, abnormal gain and cost of rework in process costing.	P2	T1
3	Apply inventory valuation techniques on work in process and finished goods in process costing system.	P2	T2
4	Analyze and account for the cost of joint and by-product.	P2	T2
<b>b</b>	<b>Target Costing</b>		
1	Apply the target costing tools to given scenarios.	P1	T2
<b>c</b>	<b>Variance Analysis</b>		
1	Compute standard rates of material, labour and factory overhead.	P2	T2
2	Analyze different variances.	P2	T2
<b>C.</b>	<b>Cost Management Planning and Decisions</b>		
<b>a</b>	<b>Cost-Volume-Profit</b>		
1	Analyze cost-volume-profit to support decision making	P2	T2
<b>b</b>	<b>Special Orders</b>		
1	Analyze incremental cost-benefit and contribution margin for a special order.	P2	T2
<b>c</b>	<b>Make or Buy Decisions</b>		
1	Analyze incremental cost-benefit and contribution margin to take product mix, make or buy decision.	P2	T2
<b>d</b>	<b>Further Processing Decisions</b>		
1	Analyze incremental cost-benefit for further processing decision.	P2	T2
<b>e</b>	<b>Shut Down and Product Discontinuation Decisions</b>		
1	Analyze cost-benefit to take shut down and product continuation or discontinuation decisions.	P2	T2
<b>f</b>	<b>Economic Order Quantity (EOQ)</b>		
1	Calculate EOQ	P2	T2
<b>g</b>	<b>Safety Stock and Re-order level</b>		
1	Calculate safety stock and re-order levels.	P2	T2

#### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspective through research, integration and analysis.
2	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions
3	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations

**Key Examinable Professional Values, Ethics and Attitude**

1	Apply an inquiring mind when collecting and assessing data and information
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.

**Specific Examinable Knowledge Reference**

1	FIFO, weighted average, lower of cost and net realizable value methods of inventory valuation
2	Direct and indirect cost
3	Variable, semi-variable and fixed costs
4	Repeated distribution method of apportionment of service department cost
5	Simultaneous equation method of apportionment of service department cost
6	Learning curve theory
7	Opportunity cost
8	Relevant cost
9	Breakeven analysis and charts
10	Profit/volume charts
11	Economic Order Quantity
12	Direct material total cost, price and usage variances
13	Direct labour total cost, rate, efficiency and idle time variances
14	Variable production overhead total cost, expenditure and efficiency variances
15	Fixed production overhead expenditure, efficiency and capacity variances
16	Material mix and yield variances
17	Sales Variance and Operating segments

**CAF-4: BUSINESS LAW**

<b>Competency</b>
Apply commonly used laws and regulations relevant to businesses.

Syllabus Ref.	Grid	Teaching hours	Weightage
A	Introduction to legal system	5-8	5-8
B	Contract Act, 1872-Essentials	30-35	20-25
C	Contract Act, 1872-Performance	35-40	25-30
D	Other Business Laws	40-47	35-52
	<b>Total</b>	<b>110-130</b>	<b>100</b>

**Key Examinable Technical Competencies**

Syllabus Ref.	Contents	Proficiency Level	Testing Level
<b>A.</b>	<b>Introduction to legal system</b>		
1	Describe legislation, its forms and the process of legislation in Pakistan.	P2	T1
<b>B.</b>	<b>Contract Act, 1872-Essentials</b>		
1	Identify essential elements of offer, acceptance and revocation.	P2	T2
2	Analyze a relationship to identify valid, voidable or void agreements.	P2	T2
3	Apply provisions governing contingent contracts.	P2	T2
<b>C</b>	<b>Contract Act, 1872-Performance</b>		
1	Apply provisions governing the performance of contracts.	P2	T2
2	Apply provision governing relations resembling those created by contract.	P2	T2
3	Discuss consequences of breach of contract.	P2	T2
4	Explain contract of agency.	P2	T1
<b>D</b>	<b>Other Business Laws</b>		
1	Describe partnership, nature of the partnership, its creation, types and modes of determining the existence of a partnership.	P2	T1
2	Apply the provisions governing the relation of partners to one another.	P2	T2
3	Apply provisions governing the relation of partners to third parties.	P2	T2
4	Explain fundamental concepts of the promissory note, bill of exchange and cheque.	P2	T1
5	Explain provisions relating to the crossing of the cheque.	P2	T1

Syllabus Ref.	Contents	Proficiency Level	Testing Level
6	Explain basic concepts in laws related to Anti-money laundering, Data protection, Electronic funds transfer, Competition act, arbitration.	P1	T3

### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspective through research, integration and analysis.
2	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions.
3	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.

### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
3	Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.
4	Explain the role and importance of ethics in relation to business and good governance.

### Specific Examinable Knowledge Reference

<b>1</b>	<b>Contract Act, 1872-Essentials</b>
I	Section 1 to 2
li	Section 3 to 9
lii	Section 10 to 30C
lv	Section 31 to 36
<b>2</b>	<b>Contract Act, 1872-Performance</b>
I	Section 37 to 67
li	Section 68 to 72
lii	Section 73 to 75
lv	Section 182 to 189
<b>3</b>	<b>Other Business Laws</b>
<b>3.1</b>	<b>Partnership Act, 1932</b>
I	Section 1 to 8
li	Section 9 to 17
lii	Section 18 to 30
<b>3.2</b>	<b>Negotiable Instruments Act, 1881</b>
I	Section 1 to 15
li	Section 122A to 131C



<b>3.3</b>	<b>Anti-money Laundering Act, 2010</b> Section 2(xiv), 3, 4
<b>3.4</b>	<b>Payment Systems and Electronic Fund Transfers Act, 2007</b> Section 2(s, t, za), 4, 5, 11
<b>3.5</b>	<b>Overview of Prevention of Electronic Crimes Act, 2016</b> Section 2(ii, iii, x, xiv, xxxi), 3, 4, 5, 6, 7, 8, 9
<b>3.6</b>	<b>Competition Act, 2010</b> Section 2(f, k, l, r), 3, 4, 10
<b>3.7</b>	<b>The Arbitration Act, 1940</b> Section 2(a, d), 3, 4, 5, 13, 21

**CAF-5: FINANCIAL ACCOUNTING AND REPORTING-II**

Competency
Apply selected international standards, laws and regulations on financial reporting.

Syllabus Ref.	Grid	Teaching hours	Weightage
A	Preparation of Financial Statements	35-40	25-35
B	Accounting for Non-current Assets	35-40	25-35
C	Ethics and Other Areas of IFRS	40-50	35-45
	<b>Total</b>	<b>110-130</b>	<b>100</b>

**Key Examinable Technical Competencies**

Syllabus Ref.	Learning Outcomes	Proficiency levels	Testing levels
<b>A</b>	<b>Preparation of Financial Statements</b>		
1	Apply the principles, laws and concepts with respect to preparation and presentation of the following: <ul style="list-style-type: none"> <li>• Statement of financial position</li> <li>• Statement of comprehensive income</li> <li>• Statement of changes in equity</li> <li>• Notes to the financial statements</li> </ul>	P2	T2
2	Calculate goodwill and consideration transferred in case of business combinations.	P2	T2
3	Calculate the value of Investment in associates as per equity method of accounting.	P2	T1
4	Prepare and present consolidated statements of financial position and consolidated statement of comprehensive income involving a single subsidiary and associate.	P2	T2
<b>B</b>	<b>Accounting for Non-current Assets</b>		
1	Apply the principles and concepts with respect to recognition, classification and measurement of financial instruments including preparation of journal entries (excluding impairment, reclassification, derivatives, embedded derivatives, hedge accounting, de-recognition and modification).	P2	T1
2	Apply the principles and concepts for recognition, measurement, presentation and disclosure of Leases (Excluding modification, sale and lease back and reassessment).	P2	T2
3	Apply the principles and concepts for recognition and measurement of intangible assets and expense; and measurement after recognition and disclosure of intangible assets (including website costs).	P2	T2
4	Apply the principles and concepts for recognition, measurement at and after recognition and disclosure of biological assets, agriculture produce and government grants related to a biological asset.	P2	T1

Syllabus Ref.	Learning Outcomes	Proficiency levels	Testing levels
<b>C</b>	<b>Ethics and Other Areas of IFRS</b>		
<b>a</b>	<b>Ethics</b>		
1	Describe with simple examples the fundamental principles of professional ethics.	P2	T1
2	Apply the conceptual framework to identify, evaluate and address threats to compliance with fundamental principles.	P2	T1
3	Explain using simple examples the ethical responsibilities of a Chartered Accountant in the preparation and reporting of financial information.	P2	T1
<b>b</b>	<b>Other Areas of IFRS</b>		
1	Apply the principles and concepts with respect to disclosure and measurement of operating and reportable segments.	P2	T1
2	Apply the principles and concepts for recognition, measurement and disclosure of adjusting and non-adjusting events after the reporting period.	P2	T2
3	Apply the principles and concepts for recognition, measurement and disclosure of Provisions, Contingent liabilities and Contingent assets.	P2	T2
4	Apply the principles and concepts of recognition, measurement, presentation and disclosure of Revenue from contracts.	P2	T2
5	Apply the principles and concepts for recognition, measurement and disclosure of current tax and deferred tax asset and liability (excluding Business Combinations)	P2	T2
6	Apply principles and concepts in respect of effect of changes in foreign exchange rates on foreign currency transactions.	P2	T1

### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspective through research, integration and analysis.
2	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions
3	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations
4	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.

### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
3	Apply the relevant ethical requirements to professional behavior in compliance with standards.
4	Explain the nature of ethics.
5	Identify threats to compliance with the fundamental principles of ethics.

6	Evaluate the significance of threats to compliance with the fundamental principles of ethics and respond appropriately.
7	Apply ethical principles of ethics when collecting, generating, storing, accessing, using and sharing data and information.

#### Specific Examinable Knowledge Reference

1	IAS 1: Presentation of Financial Statements
2	IAS 10: Events after the reporting period
3	IAS 12: Income Taxes
4	IAS 21: The effect of changes in foreign exchange rates
5	IAS 28: Investments in associates and joint ventures
6	IAS 37 and IFRIC 1: Change in Existing Decommissioning, Restoration and Similar Liabilities.
7	IAS 38 and SIC 32: Intangible assets – Website costs
8	IAS 41: Agriculture
9	IFRS 3: Business Combinations
10	IFRS 8: Operating Segments
11	IFRS 9: Financial Instruments
12	IFRS 10: Consolidated Financial Statements
13	IFRS 15: Revenue from Contracts with Customers
14	IFRS 16: Leases
15	Companies Act, 2017 Third, Fourth schedule and Fifth schedules
16	Code of Ethics, (Revised) 2019 (sections 100-120, 220)

## CAF-6 MANAGERIAL AND FINANCIAL ANALYSIS

Competency
Apply business and financial analysis on business problems.

Syllabus Ref.	Grid	Teaching Hours	Weightage
A	Managerial Analysis	40-45	30-40
B	Financial Analysis and Risk Management	45-55	30-40
C	Budgeting	25-30	25-35
	<b>Total</b>	<b>110-130</b>	<b>100</b>

### Key Examinable Technical Competencies

Syllabus Ref.	Contents	Proficiency level	Testing level
<b>A</b>	<b>Managerial Analysis</b>		
<b>a</b>	<b>External Analysis</b>		
1	Analyze impacts of political, legal and social environment on a business organization.	P2	T2
2	Analyze technological disruption and opportunities for a business organization.	P2	T2
3	Analyze impacts of economic environment on a business organization.	P2	T2
4	Analyze impacts of competitive environment on a business organization.	P2	T2
<b>b</b>	<b>Internal Analysis</b>		
1	Analyze the internal environment of an organization.	P2	T2
2	Explain the adequacy of manual and technology-based systems, processes and controls for collecting, generating, storing, assessing, using or sharing data and information.	P2	T2
3	Apply Information and Communication Technologies to enhance the efficiency and effectiveness of an organization's systems.	P2	T2
<b>c</b>	<b>Ethical Decision making</b>		
1	Analyze a business situation using ethical-decision making models.	P2	T2
<b>B</b>	<b>Financial Analysis and Risk Management</b>		
1	Discuss various sources of finance including debt, equity and Islamic finance.	P1	T1
2	Compute Cost of equity, cost of debt and the weighted average cost of capital.	P2	T1
3	Analyze capital asset's sensitivity to systematic risk, expected return of market and risk-free assets.	P2	T2

Syllabus Ref.	Contents	Proficiency level	Testing level
4	Apply risk management techniques on business entities.	P2	T2
5	Apply financial risk management techniques on business entities.	P2	T2
<b>C</b>	<b>Budgeting</b>		
1	Prepare budget using external and internal analysis and quantitative techniques.	P2	T2
2	Analyze an organization's cash flow and working capital requirements.	P2	T2
3	Compute NPV, IRR and Payback for a given project	P2	T2

#### Key Examinable Professional Skills

1	Evaluate data and information from variety of sources and perspective through integration and analysis.
2	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions
3	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations
4	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.

#### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.

#### Specific Examinable Knowledge Reference

1	SWOT Analysis
2	Porter's Five Forces Model
3	Product Life Cycle Model
4	Boston Consulting Group Matrix
5	Ethical decision making - Tucker's 5-question Model (Presented by Graham Tucker)
6	Ethical decision making - American Accounting Association 7-step Model
7	ISO 31000 Risk management — Guidelines issued by International Standardization Organization
8	Capital Asset Pricing Model
9	Hedging interest rate: Futures, Options and Forward agreement excluding hedge efficiency
10	Hedging Foreign Exchange: Currency futures, Options, Forward and Money Market hedge excluding hedge efficiency
11	Commodity and security: Forward and future contracts

**CAF-7: COMPANY LAW****Competency**

Apply laws and regulations that govern limited and unlimited liability companies.

Syllabus Ref.	Grid	Teaching Hours	Weightage
A	Incorporation and Issuance of Shares	15-20	15-20
B	Management and Administration	35-38	20-25
C	Meetings and Proceedings, Directors and Chief Executive	35-40	20-30
D	Accounts and Dividends	10-12	15-20
E	Winding up	15-20	15-20
	<b>Total</b>	<b>110-130</b>	<b>100</b>

**Key Examinable Technical Competencies**

Syllabus Ref.	Learning Outcomes	Proficiency level	Testing level
<b>A</b>	<b>Incorporation and Issuance of Shares</b>		
1	Discuss the provisions of law relating to business, objects and incorporation of different kinds of companies.	P2	T2
2	Discuss the provisions of law relating to the issuance of shares.	P2	T1
<b>B</b>	<b>Management and Administration</b>		
1	Apply provisions related to registration of mortgages and charges.	P2	T2
2	Apply the provisions of law relating to management, administration, investment and disclosure of interest.	P2	T2
<b>C</b>	<b>Meetings and Proceedings, Directors and Chief Executive</b>		
1	Discuss the provisions of law relating to meetings and proceedings.	P2	T2
2	Discuss the provisions of law relating to directors and chief executive.	P2	T2
<b>D</b>	<b>Accounts and Dividends</b>		
1	Discuss provisions of law relating to accounts and dividends.	P2	T2
<b>E</b>	<b>Winding up</b>		
1	Discuss provisions of law relating to winding up.	P2	T2

**Key Examinable Professional Skills**

1	Analyze information through integration and analysis.
2	Apply critical thinking skills to address problems and reach well-reasoned conclusions
3	Communicate clearly and concisely when presenting and discussing in formal and informal situations

### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information
2	Apply critical thinking when identifying and analyzing alternatives to determine an appropriate course of action.
3	Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.
4	Explain the role and importance of ethics in relation to business and good governance.

### Specific Examinable Knowledge Reference

1	<b>Companies Act 2017</b>
i	Sections: 2(4, 5, 8, 9, 10, 11, 14, 15, 16, 19, 17, 18, 20, 21, 25, 33, 34, 37, 38, 42, 45, 46, 49, 52, 54, 57, 63, 65, 66, 68, 71, 73, 74), 4, 7, 9 to 22, 24 to 43, 53 to 55, 57
ii	58 to 62, 85
iii	100, 105 to 109, 110, 112
iv	118, 125, 130, 199, 200, 204 to 208, 211
v	131-168, 170, 171, 174, 176 to 192, 194 to 196
vi	220, 223, 226 to 229, 232 to 234, 237, 240-243
vii	293, 301, 302, 304 to 306, 315, 320, 321, 347, 381, 382
viii	First Schedule (Table A)
2	<b>Companies (Distribution of Dividends) Regulations, 2017</b> Regulation 2(vi, viii), 3,4 (1)(2)
3	<b>Companies (Manner and Selection of Independent Directors Regulations, 2018)</b> Regulation 4
h4	<b>Securities Act, 2015</b> Sections: 2(xii), 87(2),(4),(5),(6),(7); 88(1-8); 89 to 93



## CAF-8: Audit and Assurance

Competency
Apply knowledge of general concepts, principles, skills and techniques of auditing and selected International Standards on Auditing, Assurance and Ethics.

Syllabus Ref.	GRID	Teaching hours	Weightage
A	Audit Framework, Regulations and professional ethics	25-30	15-25
B	Planning and Risk Assessment	20-25	15-20
C	Audit Evidence and Internal Controls	50-55	45-55
D	Conclusion and Reporting	15-20	10-15
	<b>Total</b>	<b>110-130</b>	<b>100</b>

### Key Examinable Technical Competencies

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>A.</b>	<b>Audit Framework, Regulations and professional ethics</b>		
<b>a</b>	<b>Basic Concepts</b>		
	<ol style="list-style-type: none"> <li>Describe briefly the history, vision, mission, objectives and functions of the international auditing and assurance standards board (IAASB).</li> <li>Discuss the types, scope and inherent limitations of an External Audit.</li> <li>Discuss the concepts of true and fair view, professional skepticism, professional judgement, accountability and stewardship.</li> <li>Discuss the responsibility of management, those charged with governance and external auditors in relation to financial statements.</li> </ol>	P1	T1
<b>b</b>	<b>Concept of assurance and non-assurance engagements</b>		
	<ol style="list-style-type: none"> <li>Discuss the types and levels of the assurance engagement.</li> <li>Discuss briefly the non-assurance engagements related to Preparing Accounting Records and Financial Statements, Valuation Services and Recruitment Services.</li> </ol>	P1	T1
<b>c</b>	<b>Agreeing the terms of Audit Engagements</b>		
	<ol style="list-style-type: none"> <li>Discuss the concept, importance and the contents of Engagement Letter.</li> <li>Discuss factors to be considered in the case of recurring audits.</li> <li>Discuss Preconditions for an audit and Course of action in the case when preconditions are not present.</li> </ol>	P1	T1
<b>d</b>	<b>Quality Control Procedures</b>		
	<ol style="list-style-type: none"> <li>Explain the overall objectives and importance of quality control procedures in conducting an audit.</li> <li>Explain briefly the quality control procedures for acceptance and continuance of client relationship and engagement, engagement performance and monitoring.</li> </ol>	P1	T1

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>e</b>	<b>Appointment, removal and qualification of auditors</b>		
	1. Discuss the requirements related to appointment, removal, fee, qualification and disqualification of auditors.	P2	T2
	2. Discuss the objectives, rights and duties of external auditors in relation to the Financial Statement.	P1	T1
<b>f</b>	<b>Code of Ethics</b>		
	1. Discuss fundamental principles and threats to Independence and Objectivity. 2. Discuss the circumstances that cause threats and explain the safeguards to offset threats to compliance with the fundamental principles and threats to independence and objectivity. 3. Explain the matters to be considered by an audit firm in the following circumstances: <ul style="list-style-type: none"> <li>• Client acceptance</li> <li>• Engagement acceptance</li> </ul>	P2	T2
<b>B</b>	<b>Planning and Risk Assessment</b>		
<b>a</b>	<b>Planning an Audit</b>		
	1. Discuss the importance of planning an audit and the content of an audit strategy and detailed audit plan. 2. Discuss preliminary engagement activities. 3. Discuss additional considerations in initial audit engagements. 4. Discuss briefly the concept of interim and final audit and list the audit procedures that can be performed by the external auditor at the interim and final stage of an audit.	P1	T1
<b>b</b>	<b>Audit Documentation</b>		
	1. Discuss the importance of audit documentation including custody, ownership, confidentiality and retention. 2. Discuss types of working papers (Permanent and current), including automated and standardized working papers. 3. Discuss factors to be considered in determining the form and content of audit documentation.	P1	T1
<b>c</b>	<b>Risk identification and Assessment</b>		
	1. Define audit risk and its components. 2. Explain audit risk from the given scenario and the auditor's response to the risk identified. 3. Explain why auditors obtain an understanding of the entity and its environment. 4. Explain the matters about which the auditor will obtain an understanding of the entity and its environment. 5. Explain how the auditor will obtain an understanding of the entity and its environment. 6. Explain the purpose of risk assessment procedures at the planning stage of an audit. 7. Discuss documentation.	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>d</b>	<b>Materiality in planning and performing an Audit</b>		
	<ol style="list-style-type: none"> <li>1. Explain the concepts of materiality, qualitative materiality, revision in materiality, performance materiality.</li> <li>2. Explain how materiality is calculated.</li> <li>3. Explain the application of materiality on audit.</li> <li>4. Discuss documentation of materiality.</li> </ol>	P2	T2
<b>e</b>	<b>Fraud and Error</b>		
	<ol style="list-style-type: none"> <li>1. Define fraud and error and discuss their differences.</li> <li>2. Discuss types of Fraud.</li> <li>3. Discuss the responsibility of Management, those charged with governance and external auditor with respect to fraud.</li> <li>4. Discuss risk assessment procedures with respect to fraud by the External Auditor.</li> <li>5. Discuss response to the assessed risk of material misstatement due to fraud (at the financial statement level).</li> <li>6. Identify fraud risk factors and circumstances that indicate the possibility of fraud in simple scenarios.</li> </ol>	P2	T2
<b>C</b>	<b>Audit evidence and Internal Controls</b>		
<b>a</b>	<b>Audit Evidence</b>		
	<ol style="list-style-type: none"> <li>1. Define audit evidence and discuss methods to obtain audit evidence.</li> <li>2. Discuss the concept of Sufficient and appropriate audit evidence.</li> <li>3. Explain types of audit procedures.</li> <li>4. Define financial statement assertions.</li> </ol>	P1	T1
<b>b</b>	<b>External Confirmation</b>		
	<ol style="list-style-type: none"> <li>1. Define external confirmation, types, methods and significance of external confirmation.</li> <li>2. Discuss planning and design of External Confirmation.</li> <li>3. Discuss the course of action in the case of reply from third parties (both in the case of positive and negative confirmations).</li> <li>4. Discuss the course of action if management refuses to allow the auditor to send confirmation.</li> <li>5. Discuss the concept of exception and procedures to be performed in the case of an exception.</li> </ol>	P2	T2
<b>c</b>	<b>Analytical procedures</b>		
	<ol style="list-style-type: none"> <li>1. Explain analytical procedures and their various types.</li> <li>2. Discuss factors to be considered when using analytical procedures as substantive procedures.</li> <li>3. Discuss the importance of analytical procedures at the planning stage and when forming an overall conclusion / at the end of the audit.</li> <li>4. Interpret accounting ratios along with audit risk.</li> </ol>	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>d</b>	<b>Audit Sampling</b>		
	<ol style="list-style-type: none"> <li>1. Explain audit sampling and its purpose.</li> <li>2. Explain the concept of 100% testing and selection technique including factors to be considered in this regard.</li> <li>3. Discuss methods of sampling (Statistical and non-statistical).</li> <li>4. Explain the concept of sampling risk and non-sampling risk.</li> <li>5. Explain the concept of Stratification.</li> <li>6. Discuss the concept of misstatement and rate of deviation including expected and tolerated.</li> <li>7. State the audit procedures to be performed on the selected sample.</li> <li>8. Discuss the concept of projecting misstatement and evaluating the results of audit sampling.</li> </ol>	P1	T1
<b>e</b>	<b>Subsequent Events</b>		
	<ol style="list-style-type: none"> <li>1. Explain requirements related to subsequent events and the auditor's responses.</li> <li>2. Describe the auditor's responsibility in respect of the following situations: <ul style="list-style-type: none"> <li>- Events occurring between the date of the financial statements and the date of the auditor's report.</li> <li>- Facts that become known to the auditor after the date of the auditor's report but before the date the financial statements are issued.</li> <li>- Facts that become known to the auditor after the financial statements have been issued.</li> </ul> </li> </ol>	P2	T2
<b>f</b>	<b>Going Concern</b>		
	<ol style="list-style-type: none"> <li>1. Discuss the concept of going concern assumption.</li> <li>2. Discuss the responsibility of management and external auditors with respect to going concern.</li> <li>3. Explain potential indicators that an entity is not a going concern.</li> <li>4. Discuss the procedures to be applied in performing going concern reviews and additional procedures when events or conditions are identified.</li> <li>5. Explain the impact on the audit report in the case of going concern.</li> </ol>	P2	T2
<b>g</b>	<b>Written Representation</b>		
	<ol style="list-style-type: none"> <li>1. Explain written representation.</li> <li>2. Discuss the course of action when there is a doubt as to the reliability of written representation.</li> <li>3. Discuss the course of action in the event when management does not provide the requested written representation.</li> <li>4. Explain the impact on the audit report in the case there is a doubt about the reliability of written representation and when such is not provided by the management.</li> </ol>	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>h</b>	<b>Substantive Procedures</b>		
	<ol style="list-style-type: none"> <li>Explain the audit procedures to verify: <ul style="list-style-type: none"> <li>Profit and loss items (Sales, Purchases, payroll expense, Bad debt expense)</li> <li>Balance Sheet Items (Cash in hand, Cash at Bank, Tangible and Intangible Fixed Assets, Debtors, Trade Payables, Inventory, Long term loan, Various types of provisions)</li> <li>litigation and claims</li> <li>segment information</li> </ul> </li> <li>Explain the audit procedures for relevant and specific financial statement assertions.</li> </ol>	P2	T2
<b>i</b>	<b>Internal Control and Test of Controls</b>		
	<ol style="list-style-type: none"> <li>Explain internal control and its components.</li> <li>Discuss the objectives and limitation of an accounting and internal control system.</li> <li>Discuss how the internal control system is documented through various methods.</li> <li>Discuss the concept of Walkthrough Test and the difference between Walk through Test and Test of Controls.</li> <li>Discuss internal controls of a small company/entity.</li> <li>Explain the risk, controls and test of controls to be performed on major transition cycles (Sales system, purchase system, inventory system, bank and cash system, payroll system and revenue and capital expenditure system).</li> </ol>	P2	T2
<b>j</b>	<b>Using the work of others</b>		
	<ol style="list-style-type: none"> <li>Discuss the concepts and functions of the internal audit department.</li> <li>Explain the difference b/w the external audit and internal audit.</li> <li>Explain how the work of internal auditors is evaluated and direct assistance of internal auditors is used.</li> <li>Explain areas where an auditor's expert can be used by the external auditor.</li> <li>Explain factors to evaluate the competence, capability and objectivity of the auditor's expert.</li> <li>Explain how the adequacy of the auditor's expert's work can be evaluated.</li> <li>Explain how reference to the Auditor's expert is made in the auditors' report.</li> </ol>	P2	T2
<b>k</b>	<b>Related Party</b>		
	<ol style="list-style-type: none"> <li>Describe the term related party using simple examples.</li> <li>Discuss how related party transactions can give rise to the risk of material misstatement using simple examples.</li> <li>Describe the audit procedures including risk assessment procedures and related activities to obtain information relevant to identifying the related party relationships and transactions including responses to the assessed risk of material misstatement.</li> </ol>	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
I	<b>Computer Assisted Audit Techniques and General &amp; Applicable IT Controls</b>		
	1 Explain the concept of Computer Assisted Audit Techniques, Test Data and Audit Software and their advantages and disadvantages. 2 Describe general I.T controls and Application I.T controls.	P2	T2
D	<b>Conclusions and Reporting</b>		
a	<b>External Audit Report</b>		
	1. Discuss the concept of unmodified and modified opinions. 2. Discuss the contents of an audit report. 3. Discuss additional reporting responsibilities. 4. Discuss the format and content of key audit matters (KAM), emphasis of matter paragraph (EOMP) and other matter paragraph (OMP). 5. Discuss the relationship of KAM with other content of audit report. 6. Discuss circumstances where EOMP and OMP are/may be necessary. 7. Discuss the relationship of EOMP and OMP with other content of audit report.	P1	T2
	8. Discuss the impact on the audit report via various types of opinions in scenario-based questions.	P2	T2
b	<b>Engagement to Review Financial Statements</b>		
	1. Discuss the concept and scope of a review engagement. 2. Explain Difference b/w audit and review engagement. 3. Discuss the procedures to be performed by the practitioner in the case of a review engagement.	P1	T1

#### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspective through research, integration and analysis.
2	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions.
3	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.
4	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.

#### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
3	Analyze the interrelationship of ethics and law, including the relationship between laws, regulations and the public interest.
4	Identify threats to compliance with the fundamental principles of ethics.

5	Apply ethical principles of ethics when collecting, generating, storing, accessing, using and sharing data and information.
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### Specific Examinable Knowledge Reference

1	ISA 200: Overall objectives of the Independent Auditor and the conduct of an audit in accordance with International Standards on Auditing
2	ISA 210: Agreeing the terms of audit engagement
3	ISA 220: Quality Control for an audit of financial statements
4	ISA 230: Audit documentation
5	ISA 240: The auditor's responsibilities relating to fraud in an audit of financial statements(including appendix 1 and 3)
6	ISA 300: Planning an audit of financial statements
7	ISA 315(revised): identifying and assessing the risk of material misstatement through understanding the entity and its environment
8	ISA 320: Materiality in planning and performing an audit
9	ISA 330: The auditor's response to assessed risks
10	ISA 500: Audit evidence
11	ISA 501: Audit evidence-specific considerations for selected items
12	ISA 505: External confirmations
13	ISA 520: Analytical procedures
14	ISA 530: Audit Sampling
15	ISA 560: Subsequent Events
16	ISA 570: (Revised) Going Concern
17	ISA 580: Written representations
18	ISA 610(revised 2013): Using the work of internal auditors
19	ISA 620: Using the work of an auditor's expert
20	ISA 700(revised): Forming an opinion and reporting on Financial statements
21	ISA 701: Communicating Key audit matters in the Independent auditor's report
22	ISA 705 (revised): modifications to the opinion in the independent auditor's report
23	ISA 706 (revised): emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
24	ISRE 2400: Engagements to review historical financial statements
25	Companies Act 2017 (Sections 246 to 251)
26	ICAP Code of Ethics for Chartered Accountants revised 2019 (Sections 100-120, 320 and 330)

**\*GATEWAY EXAMINATIONS 1****ACCOUNTING & REPORTING AND COST & MANAGEMENT ACCOUNTING**

Syllabus Ref.	Grid	Weightage
<b>A</b>	<b>Accounting and reporting</b>	
a	Preparation of Financial Statements	15-20
b	Accounting for Non-current Assets	15-20
c	Ethics and Other Areas of IFRS	20-30
<b>B</b>	<b>Cost and management accounting</b>	
a	Costs Associated with Production	14-18
b	Cost Flow	8-12
c	Cost Management Planning and Decisions	12-16
	<b>Total</b>	<b>100</b>

Syllabus Ref.	Learning Outcomes	Proficiency levels	Testing levels
<b>A</b>	<b>Accounting and reporting</b>		
<b>a</b>	<b>Preparation of Financial Statements</b>		
1	Apply the principles, laws and concepts with respect to preparation and presentation of the following: <ul style="list-style-type: none"> <li>Statement of financial position</li> <li>Statement of comprehensive income</li> <li>Statement of changes in equity</li> <li>Notes to the financial statements</li> </ul>	P2	T2
2	Calculate goodwill and consideration transferred in case of business combinations.	P2	T2
3	Calculate the value of Investment in associates as per equity method of accounting.	P2	T1
4	Prepare and present consolidated statements of financial position and consolidated statement of comprehensive income involving a single subsidiary and associate.	P2	T2
<b>b</b>	<b>Accounting for Non-current Assets</b>		
1	Apply the principles and concepts with respect to recognition, classification and measurement of financial instruments including preparation of journal entries (excluding impairment, reclassification, derivatives, embedded derivatives, hedge accounting, de-recognition and modification).	P2	T1
2	Apply the principles and concepts for recognition, measurement, presentation and disclosure of Leases (Excluding modification, sale and lease back and reassessment).	P2	T2

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Syllabus Ref.	Learning Outcomes	Proficiency levels	Testing levels
3	Apply the principles and concepts for recognition and measurement of intangible assets and expense; and measurement after recognition and disclosure of intangible assets (including website costs).	P2	T2
4	Apply the principles and concepts for recognition, measurement at and after recognition and disclosure of biological assets, agriculture produce and government grants related to a biological asset.	P2	T1
<b>c</b>	<b>Ethics and Other Areas of IFRS</b>		
<b>i.</b>	<b>Ethics</b>		
1	Describe with simple examples the fundamental principles of professional ethics.	P2	T1
2	Apply the conceptual framework to identify, evaluate and address threats to compliance with fundamental principles.	P2	T1
3	Explain using simple examples the ethical responsibilities of a Chartered Accountant in the preparation and reporting of financial information.	P2	T1
<b>ii.</b>	<b>Other Areas of IFRS</b>		
1	Apply the principles and concepts with respect to disclosure and measurement of operating and reportable segments.	P2	T1
2	Apply the principles and concepts for recognition, measurement and disclosure of adjusting and non-adjusting events after the reporting period.	P2	T2
3	Apply the principles and concepts for recognition, measurement and disclosure of Provisions, Contingent liabilities and Contingent assets.	P2	T2
4	Apply the principles and concepts of recognition, measurement, presentation and disclosure of Revenue from contracts.	P2	T2
5	Apply the principles and concepts for recognition, measurement and disclosure of current tax and deferred tax asset and liability (excluding Business Combinations)	P2	T2
6	Apply principles and concepts in respect of effect of changes in foreign exchange rates on foreign currency transactions.	P2	T1
<b>B</b>	<b>Cost and management accounting</b>		
<b>a</b>	<b>Costs Associated with Production</b>		
<b>i.</b>	<b>Production Cost</b>		
1	Identify elements of cost of product, job or services.	P2	T1
2	Account for elements of cost to accumulate the cost of product, job or services using absorption, marginal and activity-based costing.	P2	T2
3	Account for over or under-absorbed overheads.	P2	T1
4	Apply inventory valuation techniques for finished goods inventory in the absorption costing system.	P1	T1
<b>ii.</b>	<b>Raw Material</b>		
1	Apply inventory valuation and measurement techniques for raw material inventory.	P2	T2
<b>iii.</b>	<b>Manufacturing Overhead</b>		
1	Analyze costs of production and service departments for allocation and apportionment of production costs.	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency levels	Testing levels
2	Calculate predetermined factory overheads rate.	P2	T2
<b>iv.</b>	<b>Labour</b>		
1	Discuss productivity and efficiency measurement in relation to controlling labor costs.	P2	T1
2	Explain the concept of remuneration systems, incentive wage plans and types therein.	P2	T1
3	Compute the impact of a learning curve on the productivity of employees.	P2	T1
<b>b</b>	<b>Cost Flow</b>		
<b>i.</b>	<b>Process Costing</b>		
1	Analyze and account for the flow of cost in the process costing system.	P2	T2
2	Analyze and account for normal and abnormal loss, abnormal gain and cost of rework in process costing.	P2	T1
3	Apply inventory valuation techniques on work in process and finished goods in process costing system.	P2	T2
4	Analyze and account for the cost of joint and by-product.	P2	T2
<b>ii.</b>	<b>Target Costing</b>		
1	Apply the target costing tools to given scenarios.	P1	T2
<b>iii.</b>	<b>Variance Analysis</b>		
1	Compute standard rates of material, labour and factory overhead.	P2	T2
2	Analyze different variances.	P2	T2
<b>c.</b>	<b>Cost Management Planning and Decisions</b>		
<b>i.</b>	<b>Cost-Volume-Profit</b>		
1	Analyze cost-volume-profit to support decision making	P2	T2
<b>ii.</b>	<b>Special Orders</b>		
1	Analyze incremental cost-benefit and contribution margin for a special order.	P2	T2
<b>iii.</b>	<b>Make or Buy Decisions</b>		
1	Analyze incremental cost-benefit and contribution margin to take product mix, make or buy decision.	P2	T2
<b>iv.</b>	<b>Further Processing Decisions</b>		
1	Analyze incremental cost-benefit for further processing decision.	P2	T2
<b>v.</b>	<b>Shut Down and Product Discontinuation Decisions</b>		
1	Analyze cost-benefit to take shut down and product continuation or discontinuation decisions.	P2	T2
<b>vi.</b>	<b>Economic Order Quantity (EOQ)</b>		
1	Calculate EOQ	P2	T2
<b>vii.</b>	<b>Safety Stock and Re-order level</b>		
1	Calculate safety stock and re-order levels.	P2	T2

**\*GATEWAY EXAMINATIONS 2**  
**AUDIT & ASSURANCE AND TAXATION**

Syllabus Ref.	Grid	Weightage
<b>A</b>	<b>Audit and assurance</b>	
a	Audit Framework, Regulations and professional ethics	8-12
b	Planning and Risk Assessment	8-12
c	Audit Evidence and Internal Controls	16-24
d	Conclusion and Reporting	8-12
<b>B</b>	<b>Taxation</b>	
a	Objective, System and Historical Background, Constitutional Provisions and Ethics	5-8
b	Income tax	20-32
c	Sales tax	15-20
	<b>Total</b>	<b>100</b>

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>A</b>	<b>Audit and assurance</b>		
<b>a</b>	<b>Audit Framework, Regulations and professional ethics</b>		
<b>i.</b>	<b>Basic Concepts</b>		
	<ol style="list-style-type: none"> <li>Describe briefly the history, vision, mission, objectives and functions of the international auditing and assurance standards board (IAASB).</li> <li>Discuss the types, scope and inherent limitations of an External Audit.</li> <li>Discuss the concepts of true and fair view, professional skepticism, professional judgement, accountability and stewardship.</li> <li>Discuss the responsibility of management, those charged with governance and external auditors in relation to financial statements.</li> </ol>	P1	T1
<b>ii.</b>	<b>Concept of assurance and non-assurance engagements</b>		
	<ol style="list-style-type: none"> <li>Discuss the types and levels of the assurance engagement.</li> <li>Discuss briefly the non-assurance engagements related to Preparing Accounting Records and Financial Statements, Valuation Services and Recruitment Services.</li> </ol>	P1	T1
<b>iii.</b>	<b>Agreeing the terms of Audit Engagements</b>		
	<ol style="list-style-type: none"> <li>Discuss the concept, importance and the contents of Engagement Letter.</li> <li>Discuss factors to be considered in the case of recurring audits.</li> <li>Discuss Preconditions for an audit and Course of action in the case when preconditions are not present.</li> </ol>	P1	T1

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Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>iv.</b>	<b>Quality Control Procedures</b>		
	<ol style="list-style-type: none"> <li>1. Explain the overall objectives and importance of quality control procedures in conducting an audit.</li> <li>2. Explain briefly the quality control procedures for acceptance and continuance of client relationship and engagement, engagement performance and monitoring.</li> </ol>	P1	T1
<b>v.</b>	<b>Appointment, removal and qualification of auditors</b>		
	1. Discuss the requirements related to appointment, removal, fee, qualification and disqualification of auditors.	P2	T2
	2. Discuss the objectives, rights and duties of external auditors in relation to the Financial Statement.	P1	T1
<b>vi.</b>	<b>Code of Ethics</b>		
	<ol style="list-style-type: none"> <li>1. Discuss fundamental principles and threats to Independence and Objectivity.</li> <li>2. Discuss the circumstances that cause threats and explain the safeguards to offset threats to compliance with the fundamental principles and threats to independence and objectivity.</li> <li>3. Explain the matters to be considered by an audit firm in the following circumstances: <ul style="list-style-type: none"> <li>• Client acceptance</li> <li>• Engagement acceptance</li> </ul> </li> </ol>	P2	T2
<b>b</b>	<b>Planning and Risk Assessment</b>		
<b>i.</b>	<b>Planning an Audit</b>		
	<ol style="list-style-type: none"> <li>1. Discuss the importance of planning an audit and the content of an audit strategy and detailed audit plan.</li> <li>2. Discuss preliminary engagement activities.</li> <li>3. Discuss additional considerations in initial audit engagements.</li> <li>4. Discuss briefly the concept of interim and final audit and list the audit procedures that can be performed by the external auditor at the interim and final stage of an audit.</li> </ol>	P1	T1
<b>ii.</b>	<b>Audit Documentation</b>		
	<ol style="list-style-type: none"> <li>1. Discuss the importance of audit documentation including custody, ownership, confidentiality and retention.</li> <li>2. Discuss types of working papers (Permanent and current), including automated and standardized working papers.</li> <li>3. Discuss factors to be considered in determining the form and content of audit documentation.</li> </ol>	P1	T1
<b>iii.</b>	<b>Risk identification and Assessment</b>		
	<ol style="list-style-type: none"> <li>1. Define audit risk and its components.</li> <li>2. Explain audit risk from the given scenario and the auditor's response to the risk identified.</li> <li>3. Explain why auditors obtain an understanding of the entity and its environment.</li> <li>4. Explain the matters about which the auditor will obtain an understanding of the entity and its environment.</li> </ol>	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
	5. Explain how the auditor will obtain an understanding of the entity and its environment. 6. Explain the purpose of risk assessment procedures at the planning stage of an audit. 7. Discuss documentation.		
<b>iv.</b>	<b>Materiality in planning and performing an Audit</b>		
	1. Explain the concepts of materiality, qualitative materiality, revision in materiality, performance materiality. 2. Explain how materiality is calculated. 3. Explain the application of materiality on audit. 4. Discuss documentation of materiality.	P2	T2
<b>v.</b>	<b>Fraud and Error</b>		
	1. Define fraud and error and discuss their differences. 2. Discuss types of Fraud. 3. Discuss the responsibility of Management, those charged with governance and external auditor with respect to fraud. 4. Discuss risk assessment procedures with respect to fraud by the External Auditor. 5. Discuss response to the assessed risk of material misstatement due to fraud (at the financial statement level). 6. Identify fraud risk factors and circumstances that indicate the possibility of fraud in simple scenarios.	P2	T2
<b>c</b>	<b>Audit evidence and Internal Controls</b>		
<b>i.</b>	<b>Audit Evidence</b>		
	1. Define audit evidence and discuss methods to obtain audit evidence. 2. Discuss the concept of Sufficient and appropriate audit evidence. 3. Explain types of audit procedures. 4. Define financial statement assertions.	P1	T1
<b>ii.</b>	<b>External Confirmation</b>		
	1. Define external confirmation, types, methods and significance of external confirmation. 2. Discuss planning and design of External Confirmation. 3. Discuss the course of action in the case of reply from third parties (both in the case of positive and negative confirmations). 4. Discuss the course of action if management refuses to allow the auditor to send confirmation. 5. Discuss the concept of exception and procedures to be performed in the case of an exception.	P2	T2
<b>iii.</b>	<b>Analytical procedures</b>		
	1. Explain analytical procedures and their various types. 2. Discuss factors to be considered when using analytical procedures as substantive procedures. 3. Discuss the importance of analytical procedures at the planning stage and when forming an overall conclusion / at the end of the audit. 4. Interpret accounting ratios along with audit risk.	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>iv.</b>	<b>Audit Sampling</b>		
	<ol style="list-style-type: none"> <li>1. Explain audit sampling and its purpose.</li> <li>2. Explain the concept of 100% testing and selection technique including factors to be considered in this regard.</li> <li>3. Discuss methods of sampling (Statistical and non-statistical).</li> <li>4. Explain the concept of sampling risk and non-sampling risk.</li> <li>5. Explain the concept of Stratification.</li> <li>6. Discuss the concept of misstatement and rate of deviation including expected and tolerated.</li> <li>7. State the audit procedures to be performed on the selected sample.</li> <li>8. Discuss the concept of projecting misstatement and evaluating the results of audit sampling.</li> </ol>	P1	T1
<b>v.</b>	<b>Subsequent Events</b>		
	<ol style="list-style-type: none"> <li>1. Explain requirements related to subsequent events and the auditor's responses.</li> <li>2. Describe the auditor's responsibility in respect of the following situations: <ul style="list-style-type: none"> <li>- Events occurring between the date of the financial statements and the date of the auditor's report.</li> <li>- Facts that become known to the auditor after the date of the auditor's report but before the date the financial statements are issued.</li> <li>- Facts that become known to the auditor after the financial statements have been issued.</li> </ul> </li> </ol>	P2	T2
<b>vi.</b>	<b>Going Concern</b>		
	<ol style="list-style-type: none"> <li>1. Discuss the concept of going concern assumption.</li> <li>2. Discuss the responsibility of management and external auditors with respect to going concern.</li> <li>3. Explain potential indicators that an entity is not a going concern.</li> <li>4. Discuss the procedures to be applied in performing going concern reviews and additional procedures when events or conditions are identified.</li> <li>5. Explain the impact on the audit report in the case of going concern.</li> </ol>	P2	T2
<b>vii.</b>	<b>Written Representation</b>		
	<ol style="list-style-type: none"> <li>1. Explain written representation.</li> <li>2. Discuss the course of action when there is a doubt as to the reliability of written representation.</li> <li>3. Discuss the course of action in the event when management does not provide the requested written representation.</li> <li>4. Explain the impact on the audit report in the case there is a doubt about the reliability of written representation and when such is not provided by the management.</li> </ol>	P2	T2
<b>viii.</b>	<b>Substantive Procedures</b>		
	<ol style="list-style-type: none"> <li>1. Explain the audit procedures to verify: <ul style="list-style-type: none"> <li>- Profit and loss items (Sales, Purchases, payroll expense, Bad debt expense)</li> </ul> </li> </ol>	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
	<ul style="list-style-type: none"> <li>- Balance Sheet Items (Cash in hand, Cash at Bank, Tangible and Intangible Fixed Assets, Debtors, Trade Payables, Inventory, Long term loan, Various types of provisions)</li> <li>- litigation and claims</li> <li>- segment information</li> </ul> <p>2. Explain the audit procedures for relevant and specific financial statement assertions.</p>		
<b>ix.</b>	<b>Internal Control and Test of Controls</b>		
	<ol style="list-style-type: none"> <li>1. Explain internal control and its components.</li> <li>2. Discuss the objectives and limitation of an accounting and internal control system.</li> <li>3. Discuss how the internal control system is documented through various methods.</li> <li>4. Discuss the concept of Walkthrough Test and the difference between Walk through Test and Test of Controls.</li> <li>5. Discuss internal controls of a small company/entity.</li> <li>6. Explain the risk, controls and test of controls to be performed on major transition cycles (Sales system, purchase system, inventory system, bank and cash system, payroll system and revenue and capital expenditure system).</li> </ol>	P2	T2
<b>x.</b>	<b>Using the work of others</b>		
	<ol style="list-style-type: none"> <li>1. Discuss the concepts and functions of the internal audit department.</li> <li>2. Explain the difference b/w the external audit and internal audit.</li> <li>3. Explain how the work of internal auditors is evaluated and direct assistance of internal auditors is used.</li> <li>4. Explain areas where an auditor's expert can be used by the external auditor.</li> <li>5. Explain factors to evaluate the competence, capability and objectivity of the auditor's expert.</li> <li>6. Explain how the adequacy of the auditor's expert's work can be evaluated.</li> <li>7. Explain how reference to the Auditor's expert is made in the auditors' report.</li> </ol>	P2	T2
<b>xi.</b>	<b>Related Party</b>		
	<ol style="list-style-type: none"> <li>1. Describe the term related party using simple examples.</li> <li>2. Discuss how related party transactions can give rise to the risk of material misstatement using simple examples.</li> <li>3. Describe the audit procedures including risk assessment procedures and related activities to obtain information relevant to identifying the related party relationships and transactions including responses to the assessed risk of material misstatement.</li> </ol>	P2	T2
<b>xii.</b>	<b>Computer Assisted Audit Techniques and General &amp; Applicable IT Controls</b>		
	<ol style="list-style-type: none"> <li>1. Explain the concept of Computer Assisted Audit Techniques, Test Data and Audit Software and their advantages and disadvantages.</li> <li>2. Describe general I.T controls and Application I.T controls.</li> </ol>	P2	T2

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>d</b>	<b>Conclusions and Reporting</b>		
<b>i.</b>	<b>External Audit Report</b>		
	1. Discuss the concept of unmodified and modified opinions. 2. Discuss the contents of an audit report.	P1	T2
	3. Discuss additional reporting responsibilities. 4. Discuss the format and content of key audit matters (KAM), emphasis of matter paragraph (EOMP) and other matter paragraph (OMP). 5. Discuss the relationship of KAM with other content of audit report. 6. Discuss circumstances where EOMP and OMP are/may be necessary. 7. Discuss the relationship of EOMP and OMP with other content of audit report. 8. Discuss the impact on the audit report via various types of opinions in scenario-based questions.	P2	T2
<b>ii.</b>	<b>Engagement to Review Financial Statements</b>		
	1. Discuss the concept and scope of a review engagement. 2. Explain Difference b/w audit and review engagement. 3. Discuss the procedures to be performed by the practitioner in the case of a review engagement.	P1	T1
<b>B</b>	<b>Taxation</b>		
<b>a</b>	<b>Objective, System and Historical Background, Constitutional Provisions and Ethics</b>		
<b>i.</b>	<b>Basic Concepts of taxation and Constitutional Provisions</b>		
1	Discuss the implication of direct and indirect taxation.	P1	T1
<b>ii.</b>	<b>Federal and Provincial Financial Procedures</b>		
1	Describe Federal Consolidated Fund and Public Account.	P1	T1
2	Describe Provincial Consolidated Fund and Public Account.	P1	T1
3	Explain the provisions related to the distribution of revenues between the Federation and Provinces.	P1	T1
4	Discuss taxes that can be raised under the authority of Parliament.	P1	T1
5	Describe the powers of provincial assemblies in respect of provincial taxes.	P1	T1
<b>iii.</b>	<b>Ethics</b>		
1	Discuss the objectives and rights of the state to tax its citizens.	P1	T1
2	Discuss morality behind compliance with tax laws by taxpayers and tax practitioners.	P2	T1
3	Describe the powers vs ethical responsibilities of tax implementation authorities	P2	T1
4	Discuss pillars of tax administration, namely; fairness, transparency, equity and accountability.	P2	T1
5	Explain the basic difference between evasion and avoidance of tax.	P1	T1



Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>b</b>	<b>Income Tax Laws</b>		
<b>i.</b>	<b>Central Concepts</b>		
1	Describe the central concepts and scope of income	P2	T2
<b>ii.</b>	<b>Chargeability and Computation of Income and Tax</b>		
1	Compute income, taxable income and tax thereon under various heads of income for non-corporates i.e. salary, income from property, income from business, capital gains and income from other sources.	P2	T2
2	Apply the provisions relating to carry forward, deductible allowances, set-off of losses, tax credit and tax exemptions/concessions.	P2	T2
<b>iii.</b>	<b>Procedural Aspects: Returns, Assessments, Appeals and Records</b>		
1	Explain tax compliance requirements and related submissions	P2	T2
2	Identify persons required to furnish a return of income and wealth statement.	P2	T2
3	Explain the provisions of law relating to the method of filing, revision, due dates for filing and extension in the date for filing of return/statement.	P2	T2
4	Prepare return of income and wealth statement along with its reconciliation.	P2	T2
5	Communicate with Inland Revenue Authorities (filing applications, representations and extensions).	P2	T2
6	Explain the provisions of law relating to various types of assessment.	P2	T2
7	Discuss the provisions of law relating to maintenance of records and audit of income tax affairs of a person.	P2	T2
8	Describe procedure involved in appeals before various appellate authorities i.e. Commissioner (Appeals), Appellate Tribunal, High Court and Supreme Court.	P2	T2
9	State provisions of law relating to alternative dispute resolution.	P2	T2
<b>c</b>	<b>Sales Tax Laws</b>		
<b>i.</b>	<b>Scope and Payment of Tax</b>		
1	Calculate sales tax (output and input) on taxable supplies (including zero-rated and exempt supplies).	P2	T2
2	Discuss the time and manner of sales tax liability and its payment.	P2	T2
3	Calculate apportionment of input tax and carry forward/refund thereof.	P2	T2
<b>ii.</b>	<b>Registration</b>		
1	Describe the types, requirements and procedures involved for registration, de-registration and returns.	P2	T2
<b>iii.</b>	<b>Book Keeping and Invoicing Requirements</b>		
1	List the records to be kept by a registered person and explain the related retention requirements and procedures involved in the audit.	P2	T2
2	State the significance of tax invoice, debit and credit notes and their related requirements.	P1	T1
3	Explain the procedure for the destruction of goods.	P2	T2

## HANDS-ON COURSE ON PRESENTATION AND PERSONAL EFFECTIVENESS

Competency
Improved presentation and personal effectiveness through critical evaluation of information.

**\*Length of the Course:** Minimum 70 hours

Syllabus Ref	Contents	Proficiency Level
<b>A</b>	<b>Professional Skepticism and Professional Judgments</b>	
1	Apply a questioning mind when assessing data and information received.	P3
2	Apply curiosity by exploring beyond what is immediately apparent.	P3
3	Identify inconsistencies and contradictions in representations.	P3
4	Identify personal and organizational biases.	P3
5	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.	P3
6	Exercise professional judgement.	P3
<b>B</b>	<b>Interpersonal and Communication Skills</b>	
1	Apply self-esteem enhancement techniques while communicating.	P3
2	Apply emotional intelligence techniques.	P3
3	Apply active listening skills and interviewing techniques.	P3
4	Communicate clearly, concisely and objectively using appropriate non-verbal aspects.	P3
5	Apply negotiation and consultative skills to present solutions or arguments.	P3
6	Apply time management skills to evaluate, present and negotiate ideas effectively.	P3
7	Apply collaboration, cooperation and teamwork.	P3
8	Identify cultural and language differences in all communication.	P3

### Specific Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
2	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.
3	Apply collaboration, cooperation and teamwork when working towards organizational goals
4	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.
5	Identify cultural and language differences in all communication.
6	Apply active listening and effective interviewing techniques.

\*363<sup>rd</sup> Council Meeting dated December 8-9, 2022.

7	Apply negotiation skills to reach solutions and agreements.
8	Apply consultative skills to minimize or resolve conflict, solve problems, and maximize opportunities.
9	Present ideas and influence others to provide support and commitment.

#### **Specific Examinable Professional Values and Ethics**

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply techniques to reduce bias, when solving problems, informing judgements, making decisions and reaching well-reasoned conclusions.
3	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
4	Apply ethical principles of ethics when collecting, generating, storing, accessing, using and sharing data and information.

#### **Specific Examinable Knowledge Reference**

1	Mind Maps, Fishbone Diagrams and Affinity Diagrams
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#### **Key Examinable Activities**

1	Monologue
2	Declamation
3	Role plays
4	Presentations
5	Group discussions
6	Job Interviews
7	Feedback

## HANDS-ON COURSE ON MS OFFICE

Competency
Apply skillsets using MS Office tools to drive productivity and professionally present information at workplace.

Syllabus Ref.	Grid	Minimum Coaching hours	Weightage
A	MS Word	20	25-35
B	MS Excel	30	35-45
C	MS PowerPoint	20	25-35
	<b>Total</b>	<b>70</b>	<b>100</b>

Syllabus Ref.	Contents	Proficiency Level
<b>A</b>	<b>Microsoft word</b>	
1	Navigate and perform common tasks in Word, such as opening, viewing, editing, saving, and printing documents.	P2
2	Format text and paragraphs, perform repetitive operations efficiently using tools such as Find and Replace, Format Painter, and Styles.	P2
3	Create and format tables, insert graphic objects into a document, including symbols, special characters, illustrations, pictures, and clip art.	P2
4	Format the overall appearance of a page through page borders and colors, watermarks, headers and footers, and page layout.	P2
5	Use Word features to help identify and correct problems with spelling, grammar, readability, and accessibility.	P2
6	Use Mail Merge feature to create letters, envelopes, directory etc.	P2
7	Insert and modify bibliography, endnotes, footnotes, captions, comments & cross references.	P2
8	Use various Word features to present letters, reports and other documents in a presentable custom style.	P2
<b>B</b>	<b>Microsoft Excel</b>	
1	Discuss the layout, features, commands and terminologies.	P2
2	Format worksheet and organize data.	P2
3	Apply security to Files, Workbooks and Worksheets.	P2
4	Create and manage tables. Apply format, style, filter and sort etc.	P2
5	Use advance filtering options and familiarize with filtering unique records, multiple criteria-based filtering, and dynamic filtering.	P2
6	Construct formulae using functions (Mathematical, Statistical, Financial, Date / Time, Text, Information. Logical, Lookup and Reference), cell references, constants and operators.	P2
7	Analyze data, visualize data with charts.	P2

8	Prepare and analyze data for PivotTable reporting and create PivotTables from various data sources. Work with Pivot Charts.	P2
9	Create Dashboards using tables, charts, pivot tables and slicers.	P2
10	Discuss Power Pivot, create the data model and import data into Power Pivot.	P2
11	Use calculations in Power Pivot.	P2
<b>C</b>	<b>Microsoft Power point</b>	
1	Identify the basic features and functions of PowerPoint.	P2
2	Discuss basics of slides, populate content, apply themes and transitions.	P2
3	Insert, format, align, order, group and animate the text, pictures, shapes and other objects.	P2
4	Insert and format tables, charts, SmartArt graphics and media.	P2
5	Create and manage presentations by formatting and modifying Master slide and use multiple master slides.	P2
6	Apply slide transitions and animations. Using various effects setting up the timing for transition and animations.	P2
7	Merge contents from various presentations keeping source or destination formatting.	P2
8	Prepare to deliver your presentation. Use printing Notes Pages, Handouts and Slides for PowerPoint.	P2

#### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
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#### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
3	Apply fundamental principles of ethics when collecting, generating, storing, accessing, using, or sharing data and information.
4	Ability to work with sensitive information in an ethical and secure manner.
5	Ability to adapt to changes in technology.
6	Willingness to continuously learn and improve skills.

#### Specific Examinable Knowledge Reference

1	Knowledge of best practices and industry standards for using MS Office.
2	Format, style, security
3	Sort, filter, advance filter, find, replace data as required
4	Print, save, edit, review, collaboration
5	Layout, view, table tools, smart art and media

6	<p>MS Excel functions as provided below:</p> <p>a) <b>Mathematical functions</b> [SUM, SUMIF, SUMIFS, SUBTOTAL, TRUNC, ABS, ROUND, ROUNDDOWN, ROUNDUP, FLOOR, CEILING, RAND, RANDBETWEEN, SEQUENCE (365)]</p> <p>b) <b>Statistical functions</b> [AVERAGE, COUNT, COUNTA, COUNTIF, COUNTIFS, COUNTBLANK, MAX, MIN]</p> <p>c) <b>Date / Time Functions</b> [DATE, NOW, TODAY, DAY, MONTH, YEAR, WEEKNUM, EOMONTH, EDATE, WEEKDAYS, WEEKEND]</p> <p>d) <b>Financial functions</b> [NPV, IRR, PMT]</p> <p>e) <b>Text functions</b> [CONCATENATE, LEFT, RIGHT, LEN, LOWER, UPPER, PROPER, TEXT, TEXTJOIN (365), TEXTSPLIT (365), FIXED, TRIM]</p> <p>f) <b>Information functions</b>, [ISERROR, IFERROR, ISBLANK, ISNA, TYPE]</p> <p>g) <b>Logical functions</b> [IF, IFS, AND, OR, NOT, SWITCH]</p> <p><b>Lookup and Reference functions</b> [CHOOSE, LOOKUP, HLOOKUP, VLOOKUP, XLOOKUP (365), INDEX, MATCH, OFFSET, TRANSPOSE, FORMULATEXT]</p>
7	Charts, Pivot Tables, Pivot Charts and Power Pivot including DAX
8	Dashboards
9	Slides transition and animations

## HANDS-ON COURSE ON DATA ANALYTICS AND FINTECH

Competency
Apply enhanced skillset of data management, analysis and business intelligence to respond to the needs of emerging workplace.

	Grid	Minimum Coaching hours	Weightage
A	Financial modeling, forecasting and dashboard reporting using MS. Excel	25	15 – 20
B	Power BI for Data Visualization & Classification	30	30 -40
C	Blockchain	5	5 – 10
D	Python for Data Description and Diagnostics	15	15 – 20
E	Power Automate for Robotics Process Automation	15	15 – 20
	<b>Total</b>	<b>90</b>	<b>100</b>

Syllabus Ref	Contents	Proficiency Level
<b>A</b>	<b>Financial modeling, forecasting and dashboard reporting using MS. Excel</b>	
1	Use database, date, lookup, user define (VBA), conditional and dynamic array functions.	P2
2	Use data validations rules.	P2
3	Use data analysis and modeling tools.	P2
4	Create pivot table.	P2
5	Prepare Dashboards.	P2
6	Make financial models.	P2
<b>B</b>	<b>Power BI</b>	P2
1	Perform Data Extraction, Transformation and Loading (ETL) using Power Query in Power BI.	P2
2	Develop Data insights using Power BI.	P2
3	Perform data visualization techniques using Power BI.	P2
<b>C</b>	<b>Blockchain</b>	
1	Use block explorers to analyze transactions, blocks, NFTs and other information available on the blockchain.	P2
<b>D</b>	<b>Python for Data Description and Diagnostics</b>	
1	Introduction to Python and its libraries.	P1
2	Use Python descriptive and statistical analysis of financial, accounting other business data.	P2
3	Use Python in audit, assurance and related services for evaluating internal controls, gathering evidence and drawing conclusions.	P2
4	Apply statistics tools for predictive modeling using regression and classification analysis.	P2
<b>E</b>	<b>Power Automate for Robotics Process Automation</b>	
1	Use Microsoft Power Automate.	P2
2	Create, execute, share, manage and monitor all the flows.	P2

Syllabus Ref	Contents	Proficiency Level
3	Create flows with conditions, loops, approvals, user input and multiple actions.	P2

### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
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### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
3	Apply fundamental principles of ethics when collecting, generating, storing, accessing, using, or sharing data and information.

### Specific Examinable Knowledge Reference

Financial modeling, forecasting and dashboard reporting using MS. Excel	
1	<u>Functions</u> <ul style="list-style-type: none"> <li>Database functions including DSUM, DMIN, DMAX etc.</li> <li>Date functions: NETWORKDAYS, DATEDIF, EDATE etc.</li> <li>Lookup Functions: XLOOKUP, INDEX, MATCH etc.</li> <li>Conditional functions: IF, IFS, SUMIF(S), COUNTIF(S) OFFSET etc.</li> <li>Dynamic array functions: (FILTER, SORT, SORTBY, UNIQUE, SEQUENCE, RANDARRAY)</li> </ul>
2	<u>Data validation</u> <ul style="list-style-type: none"> <li>Restricting access for user to input specific data.</li> <li>Creating/selecting items from a list.</li> </ul>
3	<u>Data analysis and modeling tools</u> <ul style="list-style-type: none"> <li>Excel tables</li> <li>Advance filter (unique list and criteria based)</li> <li>What if analysis (including Goal seek, data tables, scenario manager)</li> </ul>
4	<u>Pivot table</u> <ul style="list-style-type: none"> <li>Add fields to pivot table</li> <li>Adding slicers or timelines</li> <li>Calculated fields and items</li> <li>Data grouping (text/numeric values)</li> <li>Pivot charts</li> <li>PowerPivot and understanding data model and relationships</li> </ul>
5	<u>Dashboards</u> <ul style="list-style-type: none"> <li>Interactive controls to the dashboard</li> <li>Spin button, scroll bar, combo box, list box, check box, option button</li> <li>Charts including (bar chart, line charts, pie charts, doughnut charts, combo charts)</li> <li>Waterfall chart (best for showing incremental data)</li> <li>Speedometer charts</li> <li>Dashboards using pivot tables (Sales dashboard)</li> </ul>



	<ul style="list-style-type: none"> <li>• Dashboards using PowerPivot, KPIs in PowerPivot</li> </ul>
6	<u>Financial modelling</u> <ul style="list-style-type: none"> <li>• Model design and layout</li> <li>• Creating assumptions/inputs</li> <li>• Depreciation/amortization schedule</li> <li>• Cost of sales and SG&amp;A expenses schedule</li> <li>• Working capital schedule</li> <li>• Loan/financing schedule</li> <li>• Comprehensive financial statement projection model including (balance sheet, income statement, statement of changes in equity and cash flow statement)</li> <li>• Linking critical outputs on dashboards</li> <li>• Audit sheet</li> <li>• Time series analysis</li> <li>• Sensitivity analysis (including scenario modeling)</li> </ul>
<b>Power Bi</b>	
1	<u>Overview of Power BI</u> <ul style="list-style-type: none"> <li>• Key components and their roles</li> <li>• Installing and setting up Power BI Desktop</li> </ul>
2	<u>Power BI Desktop Basics</u> <ul style="list-style-type: none"> <li>• Connecting to data sources (Excel, databases, online services)</li> <li>• Transforming and cleaning data with Power Query</li> <li>• Data loading and data model basics</li> </ul>
3	<u>Data Modeling in Power BI</u> <ul style="list-style-type: none"> <li>• Understanding normalized and de-normalized data</li> <li>• Create relationships among fact tables and dimension tables</li> <li>• Creating calculated columns and measures with DAX (Data Analysis Expressions)</li> </ul>
4	<u>Building Reports in Power BI Desktop</u> <ul style="list-style-type: none"> <li>• Creating visuals (tables, charts, maps etc.)</li> <li>• Formatting and customizing visuals</li> <li>• Working with slicers and filters</li> <li>• Introduction to themes and report design best practices</li> </ul>
5	<u>Power BI Service Overview</u> <ul style="list-style-type: none"> <li>• Introduction to Power BI Service</li> <li>• Uploading and sharing reports</li> <li>• Creating dashboards</li> </ul>
6	<u>Advanced Data Transformations with Power Query</u> <ul style="list-style-type: none"> <li>• Importing, summarizing, cleaning data</li> <li>• Removing unwanted rows/columns</li> <li>• Dates, numbers, text transformations</li> <li>• Merging queries and append queries</li> <li>• Unpivot columns, pivot columns,</li> <li>• GroupBy,</li> <li>• Conditional columns, Custom columns etc.</li> </ul>
7	<u>Advanced Data Modeling and DAX</u> <ul style="list-style-type: none"> <li>• Time intelligence functions in DAX including (MTD, QTD, YTD calculations, comparisons over periods etc.)</li> <li>• Advanced DAX calculations (including Calculate function, Filter functions, Iterator functions, Logical functions, text functions, table manipulation functions etc.)</li> </ul>

	<ul style="list-style-type: none"> <li>Handling errors and exceptions in DAX</li> </ul>
8	<u>Advanced Visualizations and other tools</u> <ul style="list-style-type: none"> <li>Custom visuals and marketplace</li> <li>Advanced formatting and design techniques</li> <li>Bookmarks</li> <li>Field parameters</li> <li>Conditional formatting</li> <li>Drill through</li> <li>Calculation groups</li> <li>Tooltips</li> </ul>
9	<u>Power BI Service Advanced Features</u> <ul style="list-style-type: none"> <li>Publish a report on power bi service; create dashboards,</li> <li>Mobile layout,</li> <li>Setting up Row Level Security (RLS),</li> <li>Adding comments to a Power BI report,</li> <li>Use Q&amp;A on a dashboard/report in the Power BI service</li> </ul>
<b>Blockchain</b>	
1	Features of blockchain technology and its commercial use cases
2	Common types of blockchain technology and how they are used
3	Applications of distributed ledger technology (DLT) and smart contracts
4	Public and private uses of DLTs and smart contracts
5	Use of blockchain in enterprise
6	Distributed systems and alternative consensus
7	Cryptography and SHA256 algorithm
8	Crypto currency, crypto economics and proof-of-stake
9	Block explorers to explore public data on blockchain: blockchain.com, tokenview.io, coinmarketcap.com, etherscan.io
<b>Python</b>	
1	<u>Python and its libraries / packages</u> <ul style="list-style-type: none"> <li>Numpy</li> <li>Pandas</li> </ul>
2	Python for descriptive and statistical analysis of business data (mean or average, median, quartile, maximum, minimum, range, variance, and standard deviation)
3	Plots, graphs, tables using python and its libraries / packages
4	Correlation, Hypothesis Testing
5	Gartner's Model (Descriptive, diagnostics, predictive and prescriptive analytics)
6	Predictive modeling to analyze financial Statements: Regression, clustering, and classification analysis
7	Python in audit, assurance, and related services for evaluating internal controls and gathering evidence
8	Manipulate and Visualize Data with Python libraries / packages
9	Data Extract, Transform, and Load (ETL) using Python
10	Market Basket Analysis (MBA)
11	Data Analytics Cases on:
	Consumer Demand, Pricing and Revenues
	Customer Value, Segmentation and Share of Wallet

	Product Profitability and Channel Optimization
	Supply Chain Optimization
	Predictive Maintenance
	Operational Efficiency
	Fraud and Risk Assessment
	Business Portfolio Assessment
	Business Valuation Metrics
<b>Power Automate</b>	
1	Flows: sending an email, responding to an email, creating MS Excel files from documents saved in MS Word
2	Troubleshoot flows
3	Recurring flows
4	Incoming emails
5	Variables
6	Data types, input and output variables, variable manipulation and sensitive variables.
7	Connectors
8	UI Flows

## PROFESSIONAL VALUES, ETHICS AND ATTITUDE (PVEA)

Competency
Apply professional values, ethics and attitude in accordance with the requirements of International Education Standards issued by IAESB of IFAC.

Syllabus Ref	Contents
<b>A</b>	<b>Part I Understanding Ethics and Human Behaviours</b>
1.	Explain the nature of ethics
2.	Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics
3.	Explain the role of ethics in relation to business and good governance
4.	Explain the role of ethics within the profession and in relation to the concept of social responsibility
5.	Explain the different models of ethical decision making
<b>B</b>	<b>Part II Understanding Models of Ethical Decision making</b>
1.	Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior to ethical dilemmas and determine an appropriate resolution
2.	Apply the relevant ethical requirements to professional behavior and compliance with standards
3.	Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest
4.	Analyze the consequences of unethical behavior to the individual, to the profession, and to society at large
<b>C</b>	<b>Part III Reflective Activities</b>
1.	Exercise professional judgment
2.	Act in an ethical manner that is in the public interest

**CFAP-1: ADVANCED ACCOUNTING AND FINANCIAL REPORTING**

Competency
Prepare, analyze, and report relevant and faithfully represented financial information.

Syllabus Ref	*Grid	Learning hours	Weightage
A	Consolidated Financial statements	45-50	20-30
B	Financial Reporting-Financial instruments	40-45	20-30
C	Financial Reporting-Others	45-50	30-40
D	Specialized Financial Statements and Areas and Ethics	25-35	10-15
	<b>Total</b>	<b>155-180</b>	<b>100</b>

**Key Examinable Technical Competencies**

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing Level
<b>A</b>	<b>Consolidated Financial Statements</b>		
1	Apply the principles, laws and concepts with respect to the preparation and presentation of Consolidated Financial Statements.	P3	T3
<b>B</b>	<b>Financial Reporting-Financial instruments</b>		
1	Apply International Financial Reporting Standards (IFRSs) including appropriateness of accounting policies used to prepare financial statements to: <ul style="list-style-type: none"> <li>a. Financial instruments</li> <li>b. Fair Value Measurement</li> <li>c. Impairment of Assets</li> <li>d. The Effects of Changes in Foreign Exchange Rates</li> </ul>	P3	T2
<b>C</b>	<b>Financial Reporting-Others</b>		
1	Apply International Financial Reporting Standards (IFRSs) including appropriateness of accounting policies used to prepare financial statements to: <ul style="list-style-type: none"> <li>a. Employees benefits</li> <li>b. Share-based Payment</li> <li>c. Non-current Assets Held for Sale and Discontinued Operations</li> <li>d. Revenue from Contracts with Customers</li> <li>e. Leases</li> <li>f. Income Taxes</li> <li>g. Related Party Disclosures</li> <li>h. Interim Financial Reporting</li> </ul>	P2	T2

\*363<sup>rd</sup> Council Meeting held on December 8-9, 2022.

<b>D</b>	<b>Specialized Financial statements and Areas</b>		
1	Apply the principles, laws and concepts with respect to preparation and presentation of disclosures of the following: <ol style="list-style-type: none"> <li>Small and medium-sized entities</li> <li>Banks</li> <li>Mutual funds</li> <li>Insurance companies</li> </ol>	P1	T1
2	Account for and report retirement benefit plans.	P1	T1
3	Apply the IFRSs on: <ol style="list-style-type: none"> <li>First-time Adoption of International Financial Reporting Standards</li> <li>Insurance Contracts</li> <li>Exploration for and evaluation of Mineral Resources</li> <li>Regulatory Deferral Accounts</li> <li>Financial Reporting in Hyperinflationary Economies</li> </ol>	P2	T1
4	State overview of Islamic Accounting Standard issued by ICAP.	P1	T1
5	State overview of IPSASs and The Conceptual Framework for General Purpose Financial Reporting by Public Sector, Presentation of Financial Statements and Financial Reporting Under the Cash Basis of Accounting.	P1	T1
<b>E</b>	<b>Ethics</b>		
1	Apply the requirements of code of ethics for professional accountants working in business.	P3	T2

#### **Key Examinable Professional Skills**

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
2	Identify when it is appropriate to consult with specialists.
3	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.
4	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.

#### **Key Examinable Professional Values, Ethics and Attitude**

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply techniques to reduce bias, when solving problems, informing judgements, making decisions and reaching well-reasoned conclusions.
3	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
4	Evaluate the significance of threats to compliance with the fundamental principles of ethics and respond appropriately
5	Analyze the consequences of unethical behavior to the individual, the profession, and the public.

**Specific Examinable Knowledge Reference**

<b>A</b>	<b>Consolidated Financial statements</b>
1	IFRS 3 Business Combinations
2	IFRS 10 Consolidated Financial Statements
3	IFRS 11 Joint Arrangements
4	IFRS 12 Disclosure of Interests in Other Entities
5	IAS 7 Preparation of statement of cash flows (only Consolidated)
6	IAS 27 Separate Financial Statements
7	IAS 28 Investments in Associates and Joint Ventures
<b>B</b>	<b>Financial reporting-Financial instruments</b>
1	IFRS 7 Financial Instruments: Disclosures
2	IFRS 9 Financial Instruments (including IFRIC 16 & 19)
3	IFRS 13 Fair Value Measurement
4	IAS 21 The Effects of Changes in Foreign Exchange Rates (including IFRIC 22)
5	IAS 32 Financial Instruments: Presentation
6	IAS 36 Impairment of Assets
<b>C</b>	<b>Financial reporting-Others</b>
1	IFRS 2 Share-based Payment
2	IAS 19 Employee Benefits (including IFRIC 14)
3	IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
4	IFRS 15 Revenue From Contracts with Customers
5	IFRS 16 Leases
6	IAS 12 Income Taxes (including SIC 25)
7	IAS 24 Related Party Disclosures
8	IAS 34 Interim Financial Reporting (including IFRIC 10)
<b>D</b>	<b>Specialized financial statements and areas</b>
1	IAS 26 Accounting and Reporting by Retirement Benefit Plans
2	<ul style="list-style-type: none"> <li>• IFRS 1 First-time Adoption of International Financial Reporting Standards</li> <li>• IFRS 17 Insurance Contracts</li> <li>• IFRS 6 Exploration for and evaluation of Mineral Resources</li> <li>• IFRS 14 Regulatory Deferral Accounts</li> <li>• IAS 29 Financial Reporting in Hyperinflationary Economies (including IFRIC 7)</li> </ul>
3	Islamic Accounting Standard issued by ICAP
4	<ul style="list-style-type: none"> <li>• IPSAS 1 Presentation of Financial Statements</li> <li>• IPSAS Financial Reporting under the Cash Basis of Accounting</li> </ul>
<b>E</b>	<b>Ethics</b>
1	Code of Ethics for Chartered Accountants (Revised 2019) (Part 1 and Part 2)

**CFAP-2: ADVANCED CORPORATE LAWS AND PRACTICES**

<b>Competency</b>
Advise on matters relating to compliance with corporate laws.

Syllabus Ref	Grid	Learning hours	Weightage
A	Secretarial Practices	80-85	35-45
B	Mediation, Arbitration, Mismanagement, Restructuring and Rehabilitation	25-35	10-15
C	Specialized Corporate Laws	15-20	10-15
D	Other Relevant Laws	35-40	30-40
	<b>Total</b>	<b>155-180</b>	<b>100</b>

**Key Examinable Technical Competencies**

Syllabus Ref	Contents	Proficiency Level	Testing Level
<b>A</b>	<b>Secretarial Practices</b>		
1	Advise on compliance with general law governing companies.	P3	T3
2	Advise on compliance with general law governing the issuance of securities by companies.	P2	T2
3	Apply specific laws governing listed companies.	P3	T2
4	Explain laws relating to the selection of independent directors.	P3	T2
5	Prepare a notice of the meetings, ordinary resolutions, special resolutions and minutes.	P2	T2
<b>B</b>	<b>Mediation, Arbitration, Mismanagement, Restructuring and Rehabilitation</b>		
1	Explain laws relating to mediation, arbitration and prevention of oppression & mismanagement.	P2	T2
2	Apply specific laws governing the restructuring and rehabilitation of companies.	P2	T2
<b>C</b>	<b>Specialized Corporate Laws</b>		
1	Advise specific laws governing non-banking finance companies.	P3	T2
2	Apply specific laws governing insurance companies.	P2	T2
3	Apply specific laws governing banking companies.	P2	T2
<b>D</b>	<b>Other Relevant Laws</b>		
1	Explain laws governing foreign exchange transactions.	P2	T2
2	Explain laws relating to free competition.	P2	T2
3	Explain laws relating to anti-money laundering and terror financing.	P2	T2
4	Advise on the laws relating to corporate governance of companies and ethics.	P3	T3



Syllabus Ref	Contents	Proficiency Level	Testing Level
5	Explain laws relating to payment systems & electronic fund transfers.	P2	T2
6	Explain the requirements of the Code of Ethics for Chartered Accountants.	P2	T2

### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
2	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.
3	Identify when it is appropriate to consult with specialists.
4	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.

### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply techniques to reduce bias, when solving problems, informing judgements, making decisions and reaching well-reasoned conclusions.
3	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
4	Evaluate the significance of threats to compliance with the fundamental principles of ethics and respond appropriately.
5	Analyze the consequences of unethical behavior to the individual, the profession, and the public.
6	Apply the relevant ethical requirements to professional behavior in compliance with standards.

### Specific Examinable Knowledge Reference

A	Secretarial Practices
1.1	Companies Act, 2017 Sections: 1 to 275, 293 to 302, 304 to 306, 312 to 396, 406 to 468, 471 to 473, 498, 500, 505
1.2	First and Second Schedules of the Companies Act, 2017
1.3	Companies (Postal Ballot) Regulations, 2018
1.4	Companies (General Provisions & Forms) Regulations, 2018 - Regulations: 8 to 30
1.5	Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017
1.6	Employees Contributory Fund (Investment in Listed Securities) Regulations 2018
1.7	Companies (Related Party Transactions & Maintenance of Related Records) Regulations, 2018 - Regulations: 3 to 6
1.8	Companies (Distribution of Dividends) Regulations, 2017
1.9	Companies (Incorporation) Regulations, 2017 Regulations: 2 to 10 & 15
2.1	Private Placement of Securities Rules, 2017 - Rules 4 to 6
2.2	Companies (Further Issue of Shares), Regulation 2020

3.1	Securities Act 2015 Sections: (2, 63 to 65, and 87 to 131) and Relevant Rules and Regulations made thereunder
3.2	Pakistan Stock Exchange Rule Book (Chapter 5)
3.3	Listed Companies (Buy- Back of Shares) Regulations, 2019
3.4	Listed Companies (Substantial Acquisition of voting shares and Takeovers) Regulations, 2017
3.5	Public Offering Regulations 2017
3.6	Companies (Manner and Selection of Independent Directors Regulations, 2018)
<b>B</b>	<b>Mediation, Arbitration, Mismanagement, Restructuring and Rehabilitation</b>
1.1	Companies Act, 2017 Sections: 276 to 292
2.1	Corporate Restructuring Companies Act, 2016 (Sections: 1 to 6)
2.2	Corporate Rehabilitation Act, 2018 (Chapter: I and II)
2.3	Corporate Restructuring Companies Rules, 2019
2.4	Corporate Rehabilitation Regulations, 2019
<b>C</b>	<b>Specialized Corporate Laws</b>
1.1	Companies Ordinance, 1984 (Section 282A to 282N)
1.2	NBFC (Establishment and Regulation) Rules, 2003- Rules 1 to 7
1.3	The Non-banking Finance Companies and Notified Entities Regulations, 2008 (Regulation 2, 3, 9, 10, 15B, 16-18, and 25)
2.1	Insurance Ordinance, 2000 <ul style="list-style-type: none"> <li>• Part I (Sections 1 to 4)</li> <li>• Part II (Sections 5 to 13)</li> <li>• Part III (Section 14)</li> <li>• Part IV (Section 28)</li> <li>• Part V (Sections 35, 36)</li> <li>• Part VII (Sections 45 to 48)</li> </ul>
3.1	The Banking Companies Ordinance, 1962 <ul style="list-style-type: none"> <li>• Part I (Sections 1, 2, 5 &amp; 6)</li> <li>• Part II (Sections 9, 11, 13 to 19, 21, 22, 24, 29, 34 to 38)</li> </ul>
<b>D</b>	<b>Other Relevant Laws</b>
1.1	Foreign Exchange Manual of State Bank of Pakistan (Chapter 19 and 20)
2.1	Competition Act, 2010 (Chapter I and II)
3.1	Anti-money Laundering Act, 2010 and Securities and Exchange Commission of Pakistan (Anti-money Laundering and Counter Financing of Terrorism) Regulations, 2020 (Chapter 1 and 2)
4.1	Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013
5.1	Payment Systems and Electronic Fund Transfers Act, 2007 Sections 2, 4, 5, 8, 14, 18
6.1	ICAP Code of Ethics for Chartered Accountants (Revised 2019) (Part I and II)

Note: All Annexures, Appendix, Forms, Schedule, Table etc. given in any act, manual, rule, regulation, rule book etc. are excluded from syllabus unless otherwise specifically included.

### CFAP-3: STRATEGY AND PERFORMANCE MEASUREMENT

Competency
Apply technical knowledge and skills in strategic management decision-making and formulating and implementing organizational strategies.

Grid		Teaching hours	Weightage
A	Formulation and Implementation of Strategy	45-50	25-30
B	Strategy and Management of Information Technology	25-30	10-15
C	Strategic Marketing, Supply Chain and Human Resource Management	35-40	25-30
D	Performance Measurement	35-40	15-25
E	Ethics	15-20	10-15
<b>Total</b>		<b>155-180</b>	<b>100</b>

#### Key Examinable Technical Competencies

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing Level
<b>A</b>	<b>Formulation and Implementation of Strategy</b>		
1	Formulate corporate strategy including venture capital firms and startups strategies using internal and external factors and identifying and evaluating strategic choices.	P3	T2
2	Recommend policies, resource allocation, controls, change management for implementing the corporate strategy.	P3	T2
<b>B</b>	<b>Strategy and Management of Information Technology</b>		
1	Recommend business process automation to enhance the efficiency and effectiveness of business operations	P2	T2
2	Explain how Information and Communication Technology (ICT) supports data analysis and decision making.	P2	T2
3	Explain how ICT supports the identification, reporting, and management of risk in an organization, including cyber security issues.	P2	T2
4	Recommend on adequacy and improvements in ICT processes and controls.	P2	T2
<b>C</b>	<b>Strategic Marketing, Supply Chain and Human Resource Management</b>		
1	Formulate marketing strategies using qualitative and quantitative marketing techniques.	P3	T2
2	Advise on development, promotion and management of brand.	P3	T2
3	Apply supply chain management to create value for organization.	P3	T2
4	Advise on talent acquisition, development and retention policies and processes.	P3	T2

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing Level
5	Explain the role of human resource in the implementation of corporate strategies.	P2	T2
6	Explain how organizational behavior enhances the performance of the individual, team, and organization.	P2	T2
<b>D</b>	<b>Performance Measurement</b>		
1	Interpret financial and non-financial information, including big data.	P3	T2
2	Interpret sustainability and integrated reporting.	P2	T2
3	Analyze the historical financial performance of an organization.	P3	T2
4	Apply performance management tools to measure the performance of an organization, project or activity including the use of data analytics.	P2	T2
<b>E</b>	<b>Ethics</b>		
1	Apply ethical considerations in relation to business, good governance and social responsibilities.	P2	T2

#### Key Examinable Professional Skills

1	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions.
2	Recommend solutions to unstructured, multi-faceted problems.
3	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.

#### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
3	Apply ethical principles of ethics when collecting, generating, storing, accessing, using and sharing data and information.
4	Evaluate the significance of threats to compliance with the fundamental principles of ethics and respond appropriately.

#### Specific Examinable Knowledge Reference

<b>A</b>	<b>Formulation and Implementation of Strategy</b>
1	Objectives, Goals, Vision and Mission
2	Importance of operational, tactical and strategic planning
3	Generation and evaluation and assessment of strategies
4	Strategy implementation (KPIs, Balanced scorecard, resource allocation, Business process reengineering, change management and project management)
5	Tools to assess internal and external environment (Porter's Five Forces Model, PESTEL, SWOT, TOWS, BCG Matrix, etc)
6	Competitor Analysis and pricing (cost leadership and differentiation)
7	Business process outsourcing and Value Chain Analysis
8	Benchmarking and gap analysis

9	Business continuity planning and future scenarios
10	Venture capital firms and start-ups
<b>B</b>	<b>Strategy and Management of Information Technology</b>
1	Risk management and planning (types of risks, analysis and documentation, risk management strategies)
2	Role of IT in the collection of information, planning and decision making
3	Formulation of IT strategy
4	IT Control framework COBIT
5	IT Control and monitoring activities
6	Artificial intelligence, Cloud computing, Big Data and the role of data analytics
7	ICT in the context of e-commerce
<b>C</b>	<b>Strategic Marketing, Supply Chain and Human Resource Management</b>
1	Management Models and Theories (Classical Approach, Human Relations and Neo- Human Relations Approach, Systems Approach and Contingency Approach)
2	Recruitment and hiring (Need analysis, competency requirements, personnel specifications)
3	Organizational development (Motivation, Motivation theories, job satisfaction, stress management, Management by Objective)
4	Organizational development (Compensation & Benefits, Training and development, Appraisals and incentives, Health and safety, Conflict resolution and working environment)
5	Organizational development (leadership, theories of leadership, leadership styles, roles and principles, group dynamics and negotiation)
6	Marketing strategies, planning and implementing (including Service Oriented Business
7	Assessing the nature and size of the market using internal records, market intelligence, market research
8	Product life cycle, Product positioning and branding strategies
9	Market segmentation strategies
10	Advertising and promotion strategies and the influence of social media and related channels
11	Global marketing, opportunities and threats
12	Franchising, licensing, joint venture and alliances, E-commerce sales and marketing
13	World Trade Organization
14	Concept and process of procurement
16	Vendor development and management
17	Inventory and production management, ware housing and logistics
<b>D</b>	<b>Performance Measurement</b>
1	ESG, Sustainability and Integrated reporting
2	Ratios
3	IFAC Sustainability framework 2.0(Business strategy perspective, operational perspective and reporting perspective).
4	The International Integrated Reporting Framework issued by IIRC
<b>E</b>	<b>Ethics</b>
1	Corporate Social Responsibility and Ethical Behavior

**CFAP-4: BUSINESS FINANCE DECISIONS**

<b>Competency</b>
Apply technical knowledge and skills in strategic financial decision making, and formulating and implementing organizational financial strategies.

Syllabus Ref	Grid	Teaching hours	Weightage
1	Business Appraisals and Securities	50-55	40-60
2	Capital and its Sources	35-40	25-30
3	Financial Risk Management	25-35	20-25
	<b>Total</b>	<b>110-130</b>	<b>100</b>

**Key Examinable Technical Competencies**

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing Level
<b>A</b>	<b>Business Appraisals and Securities</b>		
1	Prepare financial appraisals on business valuation.	P3	T3
2	Prepare financial appraisals on acquisitions, mergers, demergers, spin off and spin out.	P3	T3
3	Prepare financial appraisals on new projects and strategies.	P3	T3
4	Analyze shareholder value considering dividend and investment decisions.	P2	T2
5	Determine debt value using different techniques.	P3	T2
<b>B</b>	<b>Capital and its Sources</b>		
1	Advise on raising capital from various sources of financing available to an organization based on the qualitative and quantitative evaluation.	P3	T3
2	Apply capital budgeting and rationing techniques in the evaluation of capital investment decisions.	P2	T2
3	Prepare appraisals for optimal portfolio selection.	P3	T2
<b>C</b>	<b>Financial Risk Management</b>		
1	Assess and manage price, currency , interest, liquidity and credit risks	P3	T3
2	Evaluate the implications of price, currency , interest, liquidity and credit risks on business	P3	T3

**Key Examinable Professional Skills**

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
2	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.
3	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions

**Key Examinable Professional Values, Ethics and Attitude**

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply techniques to reduce bias, when solving problems, informing judgements, making decisions and reaching well-reasoned conclusions.
3	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.

**Specific Examinable Knowledge Reference**

1	Capital Investment Appraisal Techniques - NPV, APV, IRR, MIRR, EIRR, payback, capital rationing, profitability index, scenario planning and replacement and sensitivity analysis
2	Valuation techniques - Dividend yield, Price earning, discounted cash flows, asset based valuation techniques
3	Arbitrage Pricing Theory (APT)
4	Weighted average cost of capital (WACC)
4.1	Cost and market value of the equity-dividend discount model, CAPM model, Free cashflows model
4.2	Cost and market value of debt - Effective interest cost discounting model, spot and yield to maturity or yield to call.
4.3	Shareholder value - Dividend payout, dividend irrelevant theory, the impact of right issue including yield adjusted theoretical ex-right price, effect on effective holding and maintenance of wealth
4.4	Capital Structure theory
4.4(a)	Tradition theory of capital structure
4.4(b)	Modigliani and Miller theory - valuation, capital structure, profit distribution, cost of capital and arbitrage gains in case of mispriced securities, optimal capital structure
5	Portfolio selection – Diversifiable and non-diversifiable risks, the concept of correlation and covariance and two, three and multiple asset portfolio
6	Capital Asset Pricing Model – Cost of equity, un gearing and re-gearing beta, under and overvalued securities based on security market line (SML)
7	Hedging interest rate : Futures, Options, Swaps, Swaptions and Forward agreement
8	Hedging Foreign Exchange : Currency futures, Swaps, Options, Forward, Swaptions and Money Market hedge
9	Commodity and security: Forward and future contracts
10	Liquidity risk management through liquidity indicators, stress testing, forecasting, contingency planning.
11	Credit risk management through financial and non-financial analysis, factoring and insurance

**CFAP-5: TAX PLANNING AND PRACTICES**

Competency
Prepare and analyze relevant tax information.

Syllabus Ref	Grid	Teaching hours	Weightage
A	Income Tax	75-80	50-60
B	Sales Tax and Federal Excise Duty	55-60	30-45
C	Ethics	10-15	5-10
	<b>Total</b>	<b>140-155</b>	<b>100</b>

**Key Examinable Technical Competencies**

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing Level
<b>A</b>	<b>Income Tax</b>		
1	Compute income under various heads of income and tax thereon and apply provisions of law relating to losses, deductible allowances, tax credits and other tax concessions.	P2	T3
2	Advise on returns, assessments, appeals, records, audit, collection/recovery/refund of tax, advance tax, withholding tax, minimum tax and final tax.	P3	T2
3	Advise on international taxation aspects.	P3	T2
4	Advise on organizational strategies with respect to direct taxation.	P3	T2
<b>B</b>	<b>Sales Tax and Federal Excise Duty</b>		
<b>a</b>	<b>Sales Tax</b>		
1	Calculate sales tax (output and input) on taxable supplies including zero rated and exempt supplies.	P3	T3
2	Calculate apportionment of input tax and carry forward / refund thereof.	P3	T2
3	Advise on registration, de-registration, returns, records, audit and appeals.	P3	T2
4	Apply provisions of provincial / capital territory sales tax laws applicable on services.	P3	T2
5	Advise on organizational strategies with respect to indirect taxation.	P3	T2
<b>b</b>	<b>Federal Excise Duty</b>		
1	Apply provisions of laws on Federal Excise Duty.	P2	T1
<b>C</b>	<b>Ethics</b>		
1	Describe principles of fair tax legislation and equitable tax administration.	P2	T1
2	Explain ethics for tax legislators, tax administrators, tax payers and tax practitioners.	P3	T1



**Key Examinable Professional Skills**

1	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions.
2	Recommend solutions to unstructured, multi-faceted problems.
3	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.
4	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.

**Key Examinable Professional Values, Ethics and Attitudes**

1	Apply an inquiring mind when collecting and assessing data and information.
3	Apply techniques to reduce bias, when solving problems, informing judgements, making decisions and reaching well-reasoned conclusions.
4	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
5	Evaluate the significance of threats to compliance with the fundamental principles of ethics and respond appropriately.
6	Analyze the consequences of unethical behavior to the individual, the profession, and the public.
7	Apply ethical principles of ethics when collecting, generating, storing, accessing, using and sharing data and information.

**Specific Examinable Knowledge Reference**

<b>A</b>	<b>Income Tax</b>
<b>1</b>	<p><b>Income Tax Ordinance, 2001</b></p> <p><b>Introduction and central concepts</b> Sections 1 to 3, 4 to 8, 9 to 11, 74, 80 to 84</p> <p><b>Computation of income of under normal tax regime, final tax regime, minimum tax regime and related tax liability</b> Sections 12 to 40, 113, 113C, 168 to 169</p> <p><b>Exemptions, tax concessions, losses, deductible allowances and tax credits</b> Section 41 to 55, 56 to 59B, 60 to 60D, 61 to 65B, 65E to 65G</p> <p><b>Common rules, assets, principles of taxation and geographical source of income</b> Section 66 to 73, 75 to 79, 86 to 100D, 101 to 101A</p> <p><b>Foreign source income of residents, taxation of permanent establishment, thin capitalization, avoidance of double taxation and anti-avoidance</b> Sections 102 to 104, 105 to 106A, 107, 108 to 112</p> <p><b>Returns, assessment, appeals, audit, penalties and offences</b> Sections 114 to 119, 120 to 126, 127 to 136, 174 to 180, 182 to 204</p> <p><b>Collection &amp; recovery of tax, advance tax and final tax, refund of tax and withholding tax</b> 137 to 146C, 147, 148 to 169, 170 to 171A, 231B to 236Q</p> <p><b>Others</b> Sections 85, 172 to 173, 181 to 181D, 205 to 206A, 207 to 230I, 237 to 242, Schedules to the Income Tax Ordinance 2001</p>
<b>2</b>	<p><b>Income Tax Rules, 2002</b></p> <p>Income tax rules relating to sections specified in Income Tax Ordinance.</p>

<b>3</b>	Relevant notifications, circulars issued under the Income Tax Ordinance, 2001 and rules made under therein and model double tax treaty (country specific treaty not examinable).
<b>B</b>	<b>Sales Tax and Federal Excise Duty</b>
<b>1</b>	<p><b>Sales Tax Act, 1990</b></p> <p><b>Introduction, scope and payment of tax</b> Sections 1 to 13, 73</p> <p><b>Registration &amp; de-registration, bookkeeping, Invoicing, records, returns and audit</b> Sections 14 to 21A, 22 to 25AA, 26 to 29, 32A, 72B</p> <p><b>Administration, penalties, offences, appeals and recovery of arrears</b> Sections 30 to 32, 33 to 40D, 45A to 47A, 48</p> <p><b>Miscellaneous</b> Sections 49 to 76, Schedules to the Sales Tax Act, 1990</p>
<b>2</b>	<p><b>Sales Tax Rules, 2006</b> Sales tax rules relating to sections specified in Sales Tax Act</p>
<b>3</b>	Common provisions of provincial / capital territory sales tax laws on services
<b>4</b>	Relevant notifications, circulars and general orders issued under the Sales Tax Act, 1990 and rules made under therein
	<b>Federal Excise Act, 2005 and Federal Excise Rules 2005</b>
<b>5</b>	<p><b>Introduction and definitions</b> Section 1 to 2</p> <p><b>Levy, Collection and Payment of Fed</b> Section 3 to 18</p>
<b>6</b>	Notifications, circulars and general orders under the Federal Excise Act, 2005 relevant to chapters I and II
	<b>Ethics</b>
<b>7</b>	Code of Ethics for Chartered Accountants (revised 2019): Section 600.1 to 600.10, Section 600(Subsection 604)

## CFAP-6: AUDIT, ASSURANCE AND RELATED SERVICES

<b>Competency</b>
Perform audit of financial and non-financial information, and provide other assurance and related services.

Grid	Teaching hours	Weightage
Audit of Historical Financial Information-Planning and Others	30-35	25-30
Audit of Historical Financial Information – Risks	15-20	15-20
Audit Conclusion and Reporting	30-35	20-30
Specialized Areas, Other Assurance Engagement and Related Services	20-25	15-20
Ethical, Quality Control and Professional Requirements	10-15	10-15
<b>Total</b>	<b>105-130</b>	<b>100</b>

### Key Examinable Technical Competencies

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing Level
<b>A</b>	<b>Audit of Historical Financial Information-Planning and Others</b>		
1	Describe the general principles and responsibilities involved in performing an audit of historical financial information including group financial statements.	P2	T3
2	Identify relevant audit evidence, including contradictory evidence, to inform judgments, make decisions, and reach well-reasoned conclusions.	P3	T3
3	Analyze the adequacy of ICT processes and controls and identify improvements including using data analytics.	P3	T3
4	Conclude whether sufficient and appropriate audit evidence has been obtained.	P3	T3
5	Apply requirement of International Standards of Auditing to group audit, using work of internal audit and work of auditor's expert.	P3	T3
6	Apply requirement of International Standards of Auditing relating to consideration of laws and regulations in an audit of financial statements	P3	T3
7	Apply the requirements of International Standards of Auditing relating to going concern.	P3	T3
8	Apply the requirements of International Standards of Auditing relating to related parties.	P3	T3
9	Apply the requirements of International Standards of Auditing relating to written representation.	P3	T3
10	Apply the requirements of International Standards of Auditing relating to subsequent events.	P3	T3
11	Apply audit considerations relating to an entity using a service organization.	P3	T2

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing Level
<b>B</b>	<b>Audit of Historical Financial Information-Risks</b>		
1	Assess the risks of material misstatement in the financial statements and consider the impact on the audit strategy.	P3	T3
2	Identify significant audit risks including different types of cyber risks.	P3	T3
3	Explain how an auditor can use Information and Communication Technology (ICT) to identify audit risk and its mitigating controls in an organization.	P3	T3
4	Conclude how specified internal controls mitigate risks including cyber risks and improve cyber security.	P3	T3
<b>C</b>	<b>Audit Conclusion and Reporting</b>		
1	Conclude and report audit opinion on financial statements.	P3	T2
2	Communicate key audit matters, modifications to the opinion, the emphasis of matter paragraphs and other matter paragraphs in independent auditor's report.	P3	T2
3	Apply requirement of International Standards of Auditing relevant to comparative information and the auditor's responsibilities relating to other information.	P2	T2
<b>D</b>	<b>Specialized Areas, Other Assurance Engagement and Related Services</b>		
1	Explain special consideration regarding audit of financial statements prepared in accordance with special purpose frameworks.	P2	T2
2	Explain special consideration regarding audit of single financial statements and specific elements, accounts or items of financial statements.	P2	T2
3	Apply requirement of International Standards of Auditing to engagement to report on summary financial statements.	P3	T2
4	Plan, perform, conclude on and report on review engagements of historical financial statements.	P3	T2
5	Plan, perform, conclude on and report on assurance engagements other than audits or review of historical financial information.	P3	T2
6	Plan, perform, conclude on and report on prospective financial information.	P3	T2
7	Plan, perform, conclude on and report on controls at a service organization.	P3	T2
8	Plan, perform, conclude on and report on greenhouse gas statement.	P3	T2
9	Perform assurance engagements to report on the compilation of Pro Forma Financial Information included in Prospectus.	P3	T2
10	Plan, perform, conclude on and report on engagement to perform agreed-upon procedures.	P3	T2

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing Level
11	Plan, perform, conclude on and report on compilation engagements.	P3	T2
12	Perform the services under the provisions of corporate laws.	P3	T2
13	Perform the services under the provisions of tax laws.	P3	T2
<b>E</b>	<b>Ethical, Quality Control and Professional Requirements</b>		
1	Apply the requirements of the Code of Ethics on complex scenarios to advise on appropriate ways of addressing an ethical threat.	P3	T2
2	Apply the requirements of quality control for audits of financial statements and for firms that performs audits and reviews of financial statements and other assurance and related services engagements.	P3	T2
3	Apply the requirements of applicable laws for professional misconduct on given scenarios.	P3	T2

#### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
2	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions.
3	Identify when it is appropriate to consult with specialists.
4	Recommend solutions to unstructured, multi-faceted problems.
5	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.

#### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
3	Identify threats to compliance with the fundamental principles of ethics.
4	Evaluate the significance of threats to compliance with the fundamental principles of ethics and respond appropriately.
5	Apply ethical principles when collecting, generating, storing, accessing, using and sharing data and information.
6	Apply the relevant ethical requirements to professional behavior.
7	Analyze the consequences of unethical behavior to the individual, the profession, and the public
8	Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.

### Specific Examinable Knowledge Reference

<b>A</b>	<b>Audit of Historical Financial Information-Planning</b>
1	ISA 210: Agreeing the terms of audit engagement
2	ISA 230: audit documentation
3	ISA 250(revised): Consideration of Laws and regulations in an audit of financial statements
4	ISA 260(revised): Communication with those charged with governance
5	ISA 265: Communicating deficiencies in internal control to those charged with governance and management
6	ISA 300: Planning an audit of financial statements
7	ISA 402: Audit considerations relating to an entity using a service organization
8	ISA 450: Evaluation of misstatements identified during the audit
9	ISA 500: Audit evidence
10	ISA 501: Audit evidence – specific considerations for selected items
11	ISA 505: External confirmations
12	ISA 510: Initial audit engagements – opening balances
13	ISA 520: Analytical procedures
14	ISA 530: Audit Sampling
15	ISA 540(revised): Auditing accounting estimates and related disclosures
16	ISA 550: related parties
17	ISA 560: subsequent events
18	ISA 570(revised): Going concern
19	ISA 580: Written representations
20	ISA 600: Special considerations –Audit of Group Financial Statements (including the work of component auditors)
21	ISA 610(revised 2013): Using the work of internal auditors
22	ISA 620: Using the work of an expert
<b>B</b>	<b>Audit of Historical Financial Information – Risks</b>
1	ISA 240: The auditor’s responsibilities relating to fraud in an audit of financial statements
2	ISA 315(revised): identifying and assessing the risk of material misstatement through understanding the entity and its environment
3	ISA 320: Materiality in planning and performing an audit
4	ISA 330: The auditor’s response to assessed risk
<b>C</b>	<b>Audit Conclusion and Reporting</b>
1	ISA 700(revised): Forming an opinion and reporting on Financial statements
2	ISA 701: Communicating Key audit matters in the Independent auditor’s report
3	ISA 705 (revised): modifications to the opinion in the independent auditor’s report
4	ISA 706 (revised): emphasis of matter paragraphs and other matter paragraphs in the independent auditor’s report
5	ISA 710: Comparative information – Corresponding figures and comparative financial statements

6	ISA 720(Revised): The auditor's responsibilities relating to other information
<b>D</b>	<b>Specialized Areas, Other Assurance Engagement and Related Services</b>
1	ISA 800 (revised): Special considerations-Audits of Financial Statements prepared in accordance with special purpose frameworks
2	ISA 805 (revised): Special considerations-Audit of Single statements and specific elements, accounts or items of a financial statements
3	ISA 810 (revised): Engagement to report on summary financial statements
4	ISRE 2400: Engagements to review historical financial statements
5	ISRE 2410: Review of interim financial information performed by the independent auditor of the entity
6	ISAE 3000: Assurance engagements other than audits or reviews of historical financial information
7	ISAE 3400: The examination of prospective financial information
8	ISAE 3402: Assurance reports on controls at a service organization
9	ISAE 3410: Assurance engagements
10	ISAE 3420: Assurance engagements on Greenhouse Gas Statements
11	ISRS 4400: Engagements to perform agreed upon procedures regarding financial information
12	ISRS 4410: Compilation engagement
13	Amended international framework for assurance engagement
<b>E</b>	<b>Ethical, Quality Control and Professional Requirements</b>
1	Code of Ethics(revised) 2019 issued by ICAP
2	Quality control – ISQM 1, ISQM 2, ISA 220 (revised), quality control framework of ICAP, Quality Assurance Board of ICAP, Audit Oversight Board
3	Chartered Accountant Ordinance, 1961 Chapter V A Schedules I, II and III

**MULTI-SUBJECT ASSESSMENT**  
**FINANCIAL REPORTING AND ASSURANCE PROFESSIONAL COMPETENCE**

Competency
Evaluate and advise, as preparer, auditor and consultant on matters relevant to financial and non-financial information upholding the principles of ethics, transparency and accountability.

Syllabus Ref.	Grid	Teaching Hour	Weightage
A	Financial Accounting and Reporting	75-85	55-65
B	Audit, Assurance and Related Services	40-45	25-35
C	Company Law and Ethics (provisions relating to accounts and audit)	10-15	05-15
	<b>Total</b>	<b>125-145</b>	<b>100</b>

**Key Examinable Technical competencies**

Syllabus Ref.	Learning Outcome	Proficiency Level	Testing Level
<b>A</b>	<b>Financial Accounting and Reporting</b>		
1	Evaluate and advise on relevant and faithfully represented financial and non-financial information.	P3	T3
<b>B</b>	<b>Audit, Assurance and Related Services</b>		
1	Evaluate and advise on audit of financial and non-financial information	P3	T3
2	Evaluate and advise on other assurance and advisory services	P2	T3
<b>C</b>	<b>Company Law and Ethics (provisions relating to accounts and audit)</b>		
1	Advise on compliance with corporate laws	P2	T3

**Key Examinable Professional Skills**

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
2	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions.
3	Recommend solutions to unstructured, multi-faceted problems.
4	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.
5	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.



### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply techniques to reduce bias, when solving problems, informing judgements, making decisions and reaching well-reasoned conclusions.
3	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
4	Evaluate the significance of threats to compliance with the fundamental principles of ethics and respond appropriately.
5	Analyze the consequences of unethical behavior to the individual, the profession, and the public.
6	Apply ethical principles of ethics when collecting, generating, storing, accessing, using and sharing data and information.

### Specific Examinable Knowledge Reference

A	Financial Accounting and Reporting
1	Presentation of Financial Statements (IAS-1, IAS-7 and Companies Act, 2017, including 3 <sup>rd</sup> , 4 <sup>th</sup> and 5 <sup>th</sup> schedules)
2	Interpretation of financial and non-financial information
3	IAS 27 Separate Financial Statements
4	Preparation and Presentation of consolidated financial statements <ul style="list-style-type: none"> <li>• IFRS 3 Business combinations</li> <li>• IFRS 10 Consolidated financial statements</li> <li>• IAS 28 Investment in Associates and Joint Ventures</li> <li>• IFRS 11 Joint Arrangements</li> </ul>
5	IFRS 12 Disclosure of Interests in Other Entities
6	IFRS 2 Share-based Payment
7	IFRS 13 Fair Value Measurement
8	IFRS 8 Operating Segments
9	Classification, recognition, measurement and presentation of financial assets and liabilities <ul style="list-style-type: none"> <li>• IAS 32 Financial Instruments: Presentation</li> <li>• IFRS 7 Financial Instruments: Disclosures</li> <li>• IFRS 9 Financial Instruments</li> </ul>
10	IAS 34 Interim Financial Reporting
11	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
12	IAS 10 Events after the Reporting Date
13	IAS 12 Income Taxes
14	IAS 16 Property, Plant and Equipment
15	IFRS 16 Leases
16	IAS 40 Investment Property
17	IFRS 15 Revenue From Contracts with Customers
18	IAS 19 Employee Benefits

19	IAS 21 The Effects of Changes in Foreign Exchange Rates
20	IAS 24 Related Party Disclosures
21	IAS 36 Impairment of Assets
22	IAS 37 Provisions, Contingent Liabilities and Contingent Assets
23	IAS 38 Intangible Assets
24	IFRS for Small and Medium-Sized Entities
25	Current developments and updates relating to IFRS
<b>B</b>	<b>Audit, Assurance and Related Services</b>
1	Quality control – ISQM 1, ISQM 2, ISA 220 (revised), quality control framework of ICAP, Quality Assurance Board of ICAP
2	Legal, professional and ethical consideration relating to appointment and removal of auditor
3	ISA 315(revised) Identifying and assessing the risks of material misstatements through understanding the entity and its environment ISA 330 The Auditor’s Responses to Assessed Risks
4	ISA 230 Audit documentation ISA 300 Planning an Audit of Financial Statements, ISA 320 Materiality in Planning and Performing an Audit ISA 500 Audit Evidence ISA 501 Audit Evidence – Specific Considerations for Selected Items ISA 505 External Confirmations ISA 510 Initial Audit Engagements – Opening Balances ISA 520 Analytical Procedures ISA 530 Audit Sampling
5	ISA 250(revised) Consideration of Laws and Regulations in an Audit of Financial Statements
6	Acceptance and continuance of client
7	ISA 560 Subsequent events
8	ISA 570(revised) Going concern
9	ISA 540(revised) Auditing Accounting Estimates and Related Disclosures
10	ISA 600 Special considerations –Audit of Group Financial Statements (Including the Work of Component Auditors)
11	ISA 610(revised 2013) Using the Work of Internal Auditors ISA 620 Using the Work of an Auditor’s Expert
12	Identification of audit issues and advising on relevant audit procedures
13	ISA 705 (revised) Modifications to the Opinion in the Independent Auditor’s Report
14	ISA 701: Communicating Key audit matters in the Independent auditor’s report ISA 706 (revised): Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report
15	ISA 710: Comparative Information – Corresponding Figures and Comparative Financial Statements
17	ISA 720(Revised): The Auditor’s Responsibilities Relating to Other Information

18	Audit report under the Companies Act, 2017
19	<p><b>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p> <p>ISA 800 (Revised): Special Considerations – Audit of Financial Statements Prepared in accordance with Special Purpose Frameworks</p> <p>ISA 805 (Revised): Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</p> <p>ISA 810 (Revised): Engagements to Report on Summary Financial Statement</p> <p>ISAE 3000 (Revised): Assurance Engagements other than Audits and reviews of historical financial information</p> <p>ISAE 3400: The Examination of Prospective Financial Information</p> <p>ISAE 3402: Assurance Reports on Controls at a Service Organization</p> <p>ISAE 3410: Assurance Engagements on Greenhouse Gas Statements</p> <p>ISAE 3420: Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus</p>
20	<p><b>Engagements for Related Services</b></p> <p>ISRS 4400: Engagements to Perform Agreed-Upon Procedures Regarding Financial Information</p> <p>ISRS 4410 (Revised): Compilation Engagements</p>
21	Current development and updates relating to audit, assurance and related services, including relevant developments in the use of technology (eg, big data, data analytics and artificial intelligence).
<b>C</b>	<b>Company Law and Ethics (provisions relating to accounts and audit)</b>
1	Accounts of Companies (Section 220 to 239)
2	Audit (Section 246 to 253)
3	Listed Companies (Code of Corporate Governance) regulations 2019 (Codes relating to audit and accounts)
4	Professional misconduct under the Chartered Accountants Ordinance 1961
5	Code of Ethics (Revised 2019) issued by the Institute of Chartered Accountants of Pakistan

MSA stage papers are primarily the integrated assessments of subjects examined at the CFAP stage. MSA 1 is an integration of CFAP 1 Advanced Accounting and Financial Reporting and CFAP 6 Audit, Assurance and Related Services. However, under prior learning policy, the concepts examinable at the CAF stage may be examined as a component of any question at the MSA stage to assess the conceptual understanding of the concerned topic.

**MULTI-SUBJECT ASSESSMENT**  
**MANAGEMENT PROFESSIONAL COMPETENCE**

Competency
Evaluate and advise on all aspects of business strategies and management upholding the principles of ethics, transparency and accountability.

Syllabus Ref.	Grid	Teaching Hours	Weightage
A	Strategic Management	50-55	40-50
B	Financial and Performance Management	45-50	35-40
C	Tax Planning	10-15	05-15
D	Codes of Corporate Governance and Ethics	05-10	05-10
	<b>Total</b>	<b>110-130</b>	<b>100</b>

**Key Examinable Technical competencies**

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>A</b>	<b>Strategic Management</b>		
1	Evaluate and advise on formulating and implementing organizational strategies relevant to non-financial aspects.	P3	T3
<b>B</b>	<b>Financial and Performance Management</b>		
1	Evaluate and advise on formulating and implementing organizational financial strategies	P3	T3
<b>C</b>	<b>Tax Planning</b>		
1	Evaluate and advise on organizational strategies relevant to direct and indirect taxation.	P2	T2
<b>D</b>	<b>Codes of Corporate Governance and Ethics</b>		
1	Evaluate and advise on Codes of corporate governance	P2	T2
2	Evaluate and advise on strategies and safeguards for ethical dilemmas.	P2	T2

**Key Examinable Professional Skills**

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
2	Apply critical thinking skills to solve problems, inform judgements, make decisions and reach well-reasoned conclusions.
3	Apply intellectual agility.
4	Recommend solutions to unstructured, multi-faceted problems.
5	Respond effectively to changing circumstances or new information to solve problems, inform judgements, make decisions, and reach well-reasoned conclusions.
6	Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations.

### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply techniques to reduce bias, when solving problems, informing judgements, making decisions and reaching well-reasoned conclusions.
3	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
4	Evaluate the significance of threats to compliance with the fundamental principles of ethics and respond appropriately.
5	Analyze the consequences of unethical behavior to the individual, the profession, and the public.
6	Apply ethical principles of ethics when collecting, generating, storing, accessing, using and sharing data and information.
7	Explain the role and importance of ethics in relation to the concept of social responsibility.
8	Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.

### Specific Examinable Knowledge Reference

<b>A</b>	<b>Strategic management</b>
1	<u>Strategic Analysis:</u> Strategic management, organizational goals and objectives, the external business environment, internal factors and strategic capability, analyzing strategic position and performance, levels of strategy in an organization.
2	<u>Strategic Choice</u> Strategic choices, generating strategic options, strategic decision-making, evaluating strategic options, international strategies.
3	<u>Strategic Implementation:</u> Acquisitions and strategic alliances, aligning organizational structure and strategy, managing change, cost reduction methodologies, evaluating functional strategies, business plans.
4	<u>Business Risk Management</u> Business risks, enterprise risk management, risk management responsibilities, stakeholders and risk, risk assessment, risk response.
5	<u>Strategic Marketing and Brand Management</u> Understanding market position, developing a marketing strategy, positioning strategies, the marketing mix, databases and e-marketing, brand management, branding and marketing strategy, valuing brands and intangible assets.
6	<u>Information Strategy</u> Information technology and strategy, information for strategic planning and control, management information systems, the value of information, evaluating management information and performance data, using information to develop competitive advantage
7	<u>Human Resource Management</u> Strategic human resource management (HRM), the impact of HRM on business strategy, appraisal and performance management, the impact of remuneration and reward packages, HRM and change management.
8	<u>Performance Measurement</u> Financial and non-financial information, ESG, sustainability and integrated reporting, performance measurement tools.

<b>B</b>	<b>Financial and Performance Management</b>
1	<u>Strategic Performance Management</u> Performance management, information for strategic decision making, performance measurement, rewards, behaviour and performance, corporate social responsibility and performance
2	<u>Business and Securities Valuation</u> Valuation methods, acquisitions and mergers, unquoted companies and start-ups, valuation of debt.
3	<u>Financial Instruments and Financial Markets</u> Equity instruments, equity markets, fixed interest securities, bonds and leasing, bond markets, bond valuation and yields, credit risks, derivatives, derivative markets. Prudential Regulations for Corporate /Commercial Banking of SBP (PART – A Definitions, Regulations R-1-R-10, PART B Regulations G1 – G4)
4	<u>Financial Structures and Reconstruction</u> Capital structure, Dividend policy, Financial reconstruction, Demergers and disposals, Small and medium company financing.
5	<u>Financial Risk Management</u> Financial risks, Interest rate risks, Foreign exchange rate risks, Hedge accounting.
6	<u>Treasury and Working Capital Management</u> Treasury management function, Global treasury management, Working capital management.
<b>C</b>	<b>Tax Planning</b>
1	Income Tax for Businesses; Group Relief and Taxation; International Expansion of Businesses restricted to permanent establishment (foreigners investing into Pakistan); Choice of Business Structure, transformation and reorganization; Sales Tax; and Taxation of Employees Remuneration
<b>D</b>	<b>Codes of Corporate Governance and Ethics</b>
1	- Listed Companies (Code of Corporate Governance) Regulations, 2019 - Public Sector Companies (Corporate Governance) Rules, 2013
2	Ethics and ethical issues, Resolving ethical dilemmas, Ethical safeguards, Ethics and strategy.

Note: MSA stage papers are primarily the integrated assessments of subjects examined at the CFAP stage. MSA 2 is an integration of CFAP 3 Strategy and Performance Measurement and CFAP 4 Business Finance Decisions. However, under prior learning policy, the concepts examinable at the CAF stage may be examined as a component of any question at the MSA stage to assess the conceptual understanding of the concerned topic.”

# CA PAKISTAN



The Institute of  
Chartered Accountants  
of Pakistan

Directive 1.02

## **EDUCATION DELIVERY SYSTEM**







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REGISTERED ACCOUNTING

EDUCATION TUTORS SCHEME – 2014



# REGISTERED ACCOUNTING EDUCATION TUTORS SCHEME – 2014

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# REGISTERED ACCOUNTING EDUCATION TUTORS SCHEME – 2014

In exercise of the powers conferred by Section 15 of the Chartered Accountants Ordinance, 1961 read with Bye Law 110 of the Chartered Accountants Bye Laws 1983, the Council of the Institute has approved the following scheme to register and rank the Registered Accounting Education Tutors:

## 1. REGISTRATION OF TUTORS

The Institute shall enroll those tutors as Registered Accounting Education Tutors who fulfill the conditions specified in this directive.

## 2. RANKING OF RAETs

- a. RAETs shall be ranked in the following manner:
  - (i) Each RAET shall be ranked as ‘Fellow’, ‘Affiliate’ or ‘Registered’ on the basis of its performance.
  - (ii) A new RAET shall initially be ranked as ‘Registered’.
  - (iii) All existing RAETs shall be ranked for the first time as “Affiliate” till November 30, 2015. Thereafter, any time on or before February 28, 2016 a subsequent ranking may be awarded on the basis of their performance during a period of twelve months.
  - (iv) All existing RAETs shall completely fulfill all the prequalification requirements by May 31, 2015.
- b. In case an RAET has more than one campus, each campus shall be ranked separately.

## 3. APPLICATION FOR REGISTRATION

- a. Tutors who intend to be registered shall submit an application along with the prescribed induction fee. The application shall be accompanied by a ‘self-evaluation report’ along with working papers prepared on the basis of benchmarks set forth in this directive.
- b. The applicant tutors shall be required to obtain (i) 175 points in aggregate and (ii) minimum points in certain pre-requisite areas as specified in this directive, to be eligible for registration.
- c. The ‘self-evaluation report’ shall be accompanied by a Reasonable Assurance Report issued under the ‘International Standards on Assurance Engagement’ by a practicing chartered accountant firm that carries satisfactory QCR rating.
- d. In case the assurance report contains a modification, the Institute shall take decision after taking into consideration the impact of such modification.
- e. Upon successful completion of all the requirements for registration, a certificate to the effect that the tutor is a Registered Accounting Education Tutor shall be issued by the Institute.

## 4. SUBSEQUENT RANKING

- a. \*\*RAETs shall prepare a ‘Statement of KPIs’\*, covering a period of last twenty four\* months, on the specified format and shall submit the same to the Institute by February 28 of the following year.
- b. The ‘Statement of KPIs’\* shall be prepared on the basis of Key Performance Indicators specified in this directive.

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\*Amended in 264<sup>th</sup> meeting of the Council held on May 8th and 9th, 2015.

\*\*Amended in 300<sup>th</sup> meeting of the Council held on July 28, 2018

- c. The 'Statement of KPIs'\* shall be accompanied by a Reasonable Assurance Report issued under the 'International Standards on Assurance Engagement' by a practicing chartered accountant firm that carries satisfactory QCR rating.
- d. In case the assurance report contains a modification, the Institute shall take decision after taking into consideration the impact of such modification.
- e. On the basis of the 'Statement of KPIs'\* subject to any adjustment considered appropriate by the Institute in case of modified assurance report, the RAETs shall be ranked as follows:

Status	KPI Achievement
Fellow	70% and above points
Affiliate	50% to 69% points
Registered	Below 50%

- f. A certificate to the effect that the tutor is a Fellow or Affiliate or Registered Accounting Education Tutor shall be issued by the Institute.
- g. In order to get better status, an RAET may opt to submit the above mentioned statement earlier than the due date, covering at least period of last twelve months, accompanied by a Reasonable Assurance Report issued by a practicing chartered accountant firm.\*

## 5. BRANCH OF RAETs AND CHANGE OF LOCATION\*

- a. For establishing a branch of RAET, the clause 3 of this Directive shall be followed as is the case for registering a new RAET.
- b. For change in location of the existing RAET, application shall be submitted accompanied by a 'self-evaluation report' relating to location and facility along with working papers prepared on the basis of benchmarks set forth in this directive.
- c. The 'self-evaluation report' for change in location shall be accompanied by a Reasonable Assurance Report issued under the 'International Standards on Assurance Engagement' by a practicing chartered accountant firm.

## 6. DOWNGRADING/DELISTING OF RAET\*\*

- a. RAET shall be given notice of downgrading to 'Registered' status if it fails to submit 'Statement of KPIs' by June 30 of the calendar year following the reported twenty four months.
- b. RAET shall be given notice of delisting if it fails to meet the pre-requisites under this directive at any time or fails to pay the prescribed annual renewal fee by June 30 of the calendar year following the due date.
- c. If RAET prefers not to exercise its right to appeal under this regulation, the RAET shall be downgraded or delisted after the expiry of appeal period. Once delisted or downgraded the RAET may apply for up-gradation or re-registration after December 31 of the calendar year in which the RAET has been delisted or downgraded.
- d. RAET which has been served notice of downgrading or delisting shall have a right to appeal to ETCOM for review of decision of downgrading or delisting within 30 days from the date said notice is communicated to the concerned RAET.
- e. The appellant RAET shall not be downgraded or delisted, as the case may be, till the decision of ETCOM on the appeal of the RAET.

\*Amended in 264th meeting of the Council held on May 8th and 9th, 2015.

\*\*Amended in 277th meeting of the Council held on July 29th and 30th, 2016.

## **7. KEY PERFORMANCE INDICATORS**

- a. The following may be the broader parameters for the development of Key Performance Indicators:
  - (i) Performance of students in CA examinations
  - (ii) Quality of faculty
  - (iii) Infrastructure and facilities
  - (iv) Teaching environment
  - (v) Focus of RAET on promotion of CA qualification and allocation of exclusive resources for CA stream
  - (vi) Payment of fee and dues on time
  
- b. IT Support/Infrastructure\*

For RAETs engaged in online teaching/learning, following are the best-practices to be used as guidelines:

  - (i) IT support is well established for installation and maintenance of online learning/teaching.
  - (ii) IT staff members are appropriately qualified in their field and have relevant experience.
  - (iii) Desktop/Laptop and other hardware infrastructure are available as per the appropriate class strength.
  - (iv) Learning access to students and teachers are maintained at its maximum (via LMS or other software applications)
  - (v) Backup plans for lost internet connection, power supply and faculty members are available.
  - (vi) Appropriate policy for privacy and data protection is developed and documented.
  - (vii) There is a well secured website and LMS accessibility for students and faculty members.

## **8. ICAP'S ENGAGEMENT WITH RAETs**

There shall be a closer coordination and working relationship between ICAP and RAETs. The level of engagement may vary according to the rank of individual RAET as described hereunder:

- a. With Fellows
  - (i) Prominent exposure on website, at front offices and in ICAP's events
  - (ii) Mention of names of RAETs in advertisements and exhibitions
  - (iii) Closer relationship and feedback facility in respect of examinations and results including sharing of statistics regarding performance of unsuccessful students
  - (iv) Participation in Exam Review Committee meetings, which may be formed by the Council
  - (v) Consultation on policies regarding education, delivery of education and examinations
  - (vi) Participation in annual coordination meeting
  - (vii) Priority in attending 'Train the trainers program'
  
- b. With affiliates
  - (i) Moderate level exposure on website, at front offices and in ICAP's events
  - (ii) Closer relationship and feedback facility in respect of examinations and results including sharing of statistics regarding performance of unsuccessful students
  - (iii) Consultation on policies regarding education, delivery of education and examinations
  - (iv) Participation in annual coordination meeting
  - (v) Participation in Exam Review Committee meetings as observer, which may be formed by the Council
  - (vi) Limited involvement in 'Train the trainers program'

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\*Amended in 343rd meeting of the Council held on Aug 27th and 28th, 2021.



- c. With Registered
  - (i) Listing on website and mention of names at front offices
  - (ii) Feedback facility in respect of examinations and results including sharing of statistics regarding performance of unsuccessful students
  - (iii) Participation in annual coordination meeting

## **9. FEE AND OTHER DUES**

- a. The fee and other dues including registration and annual renewal shall be as may be specified by the Council.
- b. The annual renewal fee in respect of each calendar year shall be payable in advance by January 31 of that calendar year.
- c. The sponsor(s) of an RAET shall be jointly and severally responsible for the payment of fee and other dues within the time specified under this scheme.
- d. An undertaking in this respect shall be filed by the sponsor(s) at the time of applying for registration of RAET or in case of existing RAETs, within six months from the effective date of this scheme.

## **10. EFFECTIVE DATE**

This directive shall become effective on December 1, 2014.

**APPLICATION  
FOR REGISTRATION AS REGISTERED ACCOUNTING EDUCATION TUTORS**

**SPONSOR(s)**

Name \_\_\_\_\_

Membership (if any) \_\_\_\_\_ Membership No \_\_\_\_\_

Present Occupation \_\_\_\_\_

Address (Office) \_\_\_\_\_

Tel No. \_\_\_\_\_ Fax No. \_\_\_\_\_ E-mail \_\_\_\_\_

Address (Residence) \_\_\_\_\_

Tel No. \_\_\_\_\_ Fax No. \_\_\_\_\_ E-mail \_\_\_\_\_

**PROPOSED RAET**

Proposed Name \_\_\_\_\_

Address \_\_\_\_\_

Tel No. \_\_\_\_\_ Fax No. \_\_\_\_\_ E-mail \_\_\_\_\_

Website address: \_\_\_\_\_

**(Proposed name of RAET should not contain the words "Chartered Accountant" and "Professional Accountant").**

PRINCIPAL

Name \_\_\_\_\_

Membership (if any) \_\_\_\_\_ Membership No \_\_\_\_\_

ASSURANCE REPORT

Firm of Chartered Accountants engaged for assurance \_\_\_\_\_

INDUCTION FEE

Cross Cheque / Pay Order / Bank Draft for Rs. \_\_\_\_\_ Dated \_\_\_\_\_

UNDERTAKING

- a. We apply for registration of the above named education facility for the conduct of classes as per ICAP prescribed syllabi, rules, regulations and instructions which have been read and understood by me and the management and administrative staff of my institution.
- b. We undertake to demonstrate to the satisfaction of ICAP that the operation/activities of my/ our education institution shall be pursued with total commitment to the highest standards of teaching directed towards success of students in ICAP examinations and the highest professional and ethical standards of the CA profession will be maintained.
- c. We undertake that all fees and dues payable to ICAP will be paid timely and we, jointly and severally, hold ourselves responsible for the payment of fee and other dues.
- d. We shall abide by the scheme and policies governing the RAETs issued by the ICAP from time to time.

Date: \_\_\_\_\_

\_\_\_\_\_  
*(Signature of the Sponsor)*

Place: \_\_\_\_\_

FOR INSTITUTE USE ONLY

File No. \_\_\_\_\_

Checked by \_\_\_\_\_ Date \_\_\_\_\_

Approved by \_\_\_\_\_ Date \_\_\_\_\_

Certificate issued \_\_\_\_\_ No. \_\_\_\_\_ Date \_\_\_\_\_



**CA**  
PAKISTAN

No. 0000

## **The Institute of Chartered Accountants of Pakistan**

*Established under the Chartered Accountants Ordinance, 1961 (X of 1961)*

This is hereby certified that

**ABC Karachi**

is a

**FELLOW**

**Registered Accounting Education Tutor**

of The Institute of Chartered Accountants of Pakistan

*Director Education, Training and CPD  
September XX, 2014*

**BENCHMARK FOR SELF-EVALUATION  
FOR REGISTERED ACCOUNTING EDUCATION TUTORS**

S. No.	Particulars	Maximum Points	Scale for achievable points	Mandatory minimum points
<b>1</b>	<b>Sponsor/Principal</b>			
1.1	Qualification of sponsor or Principal  (Select any one for evaluation)	10	FCA/PhD (10 points)  ACA (6points)  FCMA (5 points) ACMA (4 points) M Phil/MS (4 points)	4
<b>2</b>	<b>Facilities</b>			
2.1	Classroom furnished with minimum seating capacity of 20 students (on the basis of area of 10 sq feet per student)	80	Each class room (10 marks)	40
2.2	<b>Planned</b> Maximum class size is 60 students (additional 10% in special circumstances)	80		80
2.3	Library/ Reading Room	10	Accommodates 10% of planned students' population (5 points) Quality of relevant books (5 points) (Proportional evaluation) Evaluated through students' feedback	4
2.4	Computer facilities	20	Accommodates 10% of planned students' population (10 points) Quality of systems available for use (10 points) (Proportional evaluation) Evaluated through students' feedback	10
2.5	Building	15	Constructed and utilized in accordance with the applicable rules/regulations/byelaws	0
2.6	Overall outlook and facilities	30	Approach to RAET (5), overall cleanliness (5) reception (5), Air-conditioning (5), sufficient washrooms (5), sufficient common rooms (5), play area (5), security (5) (Proportional evaluation) Evaluated through students' feedback	20

<b>3</b>	<b>Faculty</b>			
3.1	Faculty qualification a. PhDs/ Fellow Chartered Accountants b. Associate Chartered Accountants and members of professional bodies recognized by ICAP c. Faculty having M Phil or 16 + years of Education, CAF or equivalent qualification with 3 year post training experience	50	Category (a) 10 points per person Category (b) 8 points per person* Category (c) 6 points per person * one person is compulsory  The points are only for faculty members employed on full time basis, in addition to principal. 50% points will be awarded for part time faculty members.**	20
3.2	Faculty profile – Chartered Accountants or members of professional bodies recognized by ICAP	50	5 points per person who is CPD compliant	10
3.3	Student Teacher Ratio (This benchmark would not be considered for evaluation if there are less than 20 students enrolled)	40	20:1 (A part time teacher will have 60% weightage)**	25
3.4	Trainings received by teachers during last 12 months	20	1 point for each training of minimum 4 hours per person	5
<b>4</b>	<b>Quality Control Policies and Procedures</b>			
4.1	Faculty evaluation – peers and students	20	Documented policy/Evaluation form (Two evaluations in a subject for each teacher)	5
4.2	System to assess students' progress and provide them feedback	30	Documented policy/copies of tests performed	10
4.3	Academic planning/Course Completion Plans	40	Documented policy/ course planners (4 points per subject)	12
	<b>TOTAL</b>	<b>495</b>		

### Explanatory Notes:

#### 1. Guidance on terms used:

- a. "Quality of relevant books", "Quality of systems" and "Overall outlook and facilities" shall be determined by students' feedback on the following scale:

Quality judged	Bad	Below Average	Average	Above average	Good	Excellent
Points	0	1	2	3	4	5

- b. "Professional bodies recognized by ICAP" means the professional bodies whose members are recognized under the bye-laws for full or part exemptions from examinations.
- c. "Planned students' population" means seating capacity of furnished class rooms.
- d. "Students" means students enrolled for chartered accountancy qualification.

**2. Points will be prorated where the actual level/standing against a benchmark is less than the maximum.**

*Example:*

Benchmark: Student Teacher Ratio

<i>Maximum points</i>	<i>40</i>
<i>Scale</i>	<i>20:1</i>
<i>Achieved</i>	<i>400 enrolled students</i>
	<i>16 teachers</i>
	<i>Ratio 25:1</i>
<i>Points (20/25 * 40)</i>	<i>32</i>

**3. Qualitative evaluations must be supported by a brief description on the subject matter.**

\*\*\*\*\*

## KEY PERFORMANCE INDICATORS

S. No.	Indicators	KPI Measure	Max. Points
<b>1</b>	<b>Infrastructure and facilities</b>		
1.1	Qualification of sponsor or principal	FCA/PhD (10 points) ACA (6 points) FCMA (5 points) ACMA (4 points) M Phil/MS (4 points)	10
1.2	Library/ Reading Room	Accommodates 10% of planned students' population (5 points) Quality of books (5 points) Evaluated through students' feedback to be incorporated in Evaluation given at para 3.1 (Proportional evaluation)	10
1.3	Computer facilities	Accommodates 10% of planned students' population (10 points) Quality of systems available for use (10 points) Evaluated through students' feedback to be incorporated in Evaluation given at para 3.1 (Proportional evaluation)	20
1.4	Classroom furnished with minimum seating capacity of 20 students (the area on the basis of 10 sq feet per student basis)	Each class room (10 marks)	80
1.5	Maximum class size is 60 students (additional 10% is in special circumstances)		80
1.6	Building	Constructed and utilized in accordance with the applicable rules/regulations/bye-laws	15
1.7	Overall outlook and facilities	Approach to RAET (5), overall cleanliness (5), reception (5), Air-conditioning (5), sufficient washrooms (5), sufficient common rooms (5), play area (5), security (5) Evaluated through students' feedback to be incorporated in Evaluation given at para 3.1 (Proportional evaluation)	30
1.8	Faculty qualification a. PhDs/ Fellow Chartered Accountants b. Associate Chartered Accountants and members of professional bodies recognized by ICAP,	Category (a) 10 points per person Category (b) 8 points per person* Category (c) 6 points per person * one person is compulsory	100



	c. Faculty having M Phil or 16 + years of Education, CAF or equivalent qualification with 3 year post training experience	The points are for faculty members employed on full time basis in addition to principal. 50% points will be awarded to part time faculty members.**	
1.9	Faculty profile – Chartered Accountants or members of professional bodies recognized by ICAP	5 points per person who is CPD compliant	50
1.10	Student Teacher Ratio (This benchmark would not be considered for evaluation if there are less than 20 students enrolled)	20:1 (A part time teacher will have 60% weightage)**	40
1.11	Trainings received by teachers during last 12 months	1 point for each training of minimum 4 hours per person	20
1.12	Faculty evaluation policy – peers and students	Standard of documented policy or evaluation forms (Two Evaluations in a subject for each teacher, 2 points for each teacher)	20
1.13	System to assess students’ progress and provide them feedback	Standard of documented policy/copies of tests performed (2 points per teacher per subject)	30
1.14	Academic planning/Course Completion Plans	Standard of documented policy/course planners (4 points per subject)	40
<b>2</b>	<b>Promotion of CA Program</b>		
2.1	Career Counselor desk well managed. Prominent, suitable for one-to-one discussion, attractive design, trained, experienced staff and promotional material available.	1 desk in a year (10 points)	20
2.2	Visits to school and colleges where at least 25 students are counseled exclusively for CA qualification.	Each school/college (5 points)	40
2.3	Participation in education expo where minimum one desk is dedicated for CA qualification	1 expo (10 points)	20
2.4	Scholarship for bright and needy students	100% fee waiver for 1% of the total students (6 points) (Proportional Evaluation)	60
<b>3</b>	<b>Faculty</b>		
3.1	Faculty performance evaluated by principal or academic committee of RAET. (There can be different grading system in RAETs. The rating which corresponds to above-normal performance would be treated as “Good” and normal performance would be treated as “Satisfactory”)	More than 90% faculty rated “Good” (40 points) More than 90% faculty rated “Satisfactory” (20 points) The evaluation must be based on students and peer evaluation arranged for each faculty member twice in the course (Proportional Evaluation)	40

3.2	Faculty's contribution in "Pakistan Accountant" or any other reputable journal. (The journals other than Pakistan Accountant should be acceptable to principal or academic committee of RAET. The contribution may not necessarily be of technical nature)	4 points for one contribution	40
3.3	Faculty contribution in ICAP's syllabus review assignments. Each RAET is expected to provide a syllabus review report on the subjects selected by RAET before the commencement of classes of the selected subjects.	10 points for each subject	40
3.4	Faculty contribution in study packs review assignments. Each RAET is expected to provide study material review report on the subjects selected by RAET before the commencement of classes of the selected subjects.	20 points for each subject	40
<b>4</b>	<b>Teaching</b>		
4.1	Periodic Tests given to students. (The test should be documented and verified by the principal or academic committee of RAET)	4 tests per subject in a session (6 points) (Proportional Evaluation)	60
4.2	Test feedback provided to students by way of marking, evaluator's comment and model answers.	4 tests per subject in a session (6 points) (Proportional evaluation)	60
<b>5</b>	<b>Performance of students</b>		
*5.1	PRC (Five subjects) Performance of enrolled students in ICAP exams (Enrolled Students are those who are other than those who dropped out after completing less than 40% classes and were duly reported to the Institute)	For each subject First 50 points - Percentage of passed students over enrolled students is equal to overall result of the Institute (Proportionate Evaluation). Remaining 50 points – Percentage of passed students over enrolled students exceeding the overall result of the Institute (Proportionate Evaluation). This additional 50 points will be computed proportionally to the results exceeding the Institute's overall result. <i>In case of 100% result of the Institute the proportionate evaluation would be done for full 100 points.**</i>	400
*5.2	CAF (Eight subjects) Performance of enrolled students in ICAP exams (Enrolled Students are those who are other than those who dropped out after completing less than 40% classes and were duly reported to the Institute)	For each subject First 50 points - Percentage of passed students over enrolled students is equal to overall result of the Institute (Proportionate Evaluation). Remaining 50 points – Percentage of passed students over enrolled students exceeding the overall result of the	900

\*Amended in 322<sup>nd</sup> meeting of the Council held on December 13-14, 2019.

		Institute (Proportionate Evaluation). This additional 50 points will be computed proportionally to the results exceeding the Institute's overall result. <i>In case of 100% result of the Institute the proportionate evaluation would be done for full 100 points.**</i>	
<b>6</b>	<b>Fee payment</b>		
6.1	Annual renewal fee payable in advance	On time (Reduce 2 point per day of delayed payment)	30
	<b>Total</b>		2295

### Explanatory Notes:

#### 1. Guidance on terms used:

- a. "Quality of relevant books", "Quality of systems" and "Overall outlook and facilities" shall be determined by students feedback on the following scale:

Quality judged	Bad	Below Average	Average	Above average	Good	Excellent
Points	0	1	2	3	4	5

- b. "Professional bodies recognized by ICAP" means the professional bodies whose members are recognized under the bye-laws for full or part exemptions from examinations.
- c. "Planned students' population" means seating capacity of furnished class rooms.
- d. "Students" means students enrolled for chartered accountancy qualification.

#### 2. Points will be prorated where the performance achieved against a benchmark is less than the maximum.

**\*\*Example:**

KPI: Performance of students in PRC- Business Writing and Comprehension Skills

<i>Maximum points</i>	<i>100</i>	
<i>KPI measure</i>	<i>Percentage of pass students</i>	
<i>ICAP overall result</i>	<i>6,000 students passed out of 12,500 (48%)</i>	
<i>Achieved by RAET</i>	<i>67 student pass out of 120 in Business Writing and Comprehension Skills</i>	
	<i>67/120 =55.83% overall pass result</i>	
	<i>Pass result is 55.83%-48%=7.83% greater than overall ICAP result</i>	
<i>Points gained</i>		
<i>First 50 points</i>	<i>Result equal to or more than 48%</i>	<i>50</i>
<i>Remaining 50 points</i>	<i>Results in excess of 48%</i>	
	<i>(7.83/100-48)X50</i>	<i>7.52</i>
<b>Total points</b>		<b>58</b>

#### 3. Qualitative evaluations must be supported by a brief description on the subject matter.

\*\*\*\*\*

## SELF-EVALUATION REPORT

AS AT \_\_\_\_\_

### NAME OF APPLICANT TUTOR

S. No.	Particulars	Evaluation based on scale for achievable points	Maximum Points	Points obtained	Mandatory minimum points	Working paper reference
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Submitted by \_\_\_\_\_

*(Signature and name of authorized person)*

Date and place \_\_\_\_\_

\*\*\*\*\*

### STATEMENT OF KEY PERFORMANCE INDICATORS\*

FOR THE PERIOD\* \_\_\_\_\_

### NAME OF RAET

S. No.	Indicators	KPI Measure	Maximum Points	Points obtained	Working paper reference
--------	------------	-------------	----------------	-----------------	-------------------------

Submitted by \_\_\_\_\_

*(Signature and name of authorized person)*

Date and place \_\_\_\_\_

\*\*\*\*\*

(244<sup>th</sup> Council meeting held on April 22-23, 2013)

\*Amended in 264th meeting of the Council held on May 8th and 9th, 2015.

\*\* Amended in 273rd meeting of the Council held on March 17th and 18th, 2016

REGISTERED ACCOUNTING

**SCHOOL SYSTEMS SCHEME – 2016**



# REGISTERED ACCOUNTING SCHOOL SYSTEMS SCHEME – 2016

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# REGISTERED ACCOUNTING SCHOOL SYSTEMS SCHEME – 2016

In exercise of the powers conferred by Section 15 of the Chartered Accountants Ordinance, 1961 read with Bye Law 110 of the Chartered Accountants Bye Laws 1983, the Council of the Institute has approved the following scheme to register the Accounting School Systems:

## 1. PREAMBLE

The CA qualification comprises of both the theoretical knowledge and the practical experience. The academic support is extended to the students through different channels.

These regulations provide for the registration of the Higher Secondary Schools offering HSC qualification / A Levels education/any qualification equivalent to twelve years of education and will be called “Registered Accounting School Systems Scheme 2016” hereinafter called (the scheme). The School Systems registered under these regulations will be called “Registered Accounting School Systems (RASSs) and will function as CA education providers.

This scheme targets the potential aspirants through the broader geographical presence of these school systems.

## 2. REGISTRATION OF SCHOOL SYSTEMS

The Institute shall enroll those School Systems as Registered Accounting School Systems that fulfill the conditions specified in this directive.

## 3. CONDITIONS FOR REGISTRATION

- a. The school system must have its presence in at least ten (10) cities out of which at least five (5) cities must be those where ICAP has no Registered Accounting Education Tutor (RAET).
- b. The school systems will provide tuition for at least PRC and CAF level examinations.
- c. The Registered Accounting School Systems will preferably follow normal morning timings.
- d. Every campus offering CA courses of the same School System will be required to get approval of the Institute on individual basis.
- e. The RASS campuses offering CA courses will be purpose built. In areas where no RAET is present, the Institute may, after evaluating the campus, allow tuition of students in the existing RASS campus.
- f. The Institute may make a commitment not to allow any other RASS to have its campus in the selected area for a period of three (3) years. In consideration of such exclusivity, the Institute will require compulsory offering of CA courses in particular cities or regions, identified by the Institute, where there is no RAET currently.
- g. The RASS shall make a commitment that it will not offer any other accountancy qualification in its campuses dedicated to CA qualification.
- h. A school system once declared RASS shall not be registered as RAET by the Institute.
- i. The policy directives issued by the Institute are binding on all RASSs and every RASS must comply with and operate in accordance with the policy directive.



## 4. THE PROCESS OF REGISTRATION

- a. The School Systems shall, at the time of registration, submit a comprehensive proposal inclusive of the following particulars:
- I. **Operational Feasibility**
    - (i) Executive Summary of the project
      - Goals of implementing CA Pakistan’s curriculum and the challenges therein
      - Justification of the proposal in the context of market needs and social benefits
    - (ii) Background of the School System/Network and the Management structure
    - (iii) Anticipated financial health of the proposal supported by an analytical-descriptive plan for source(s) of income and expenditure.
    - (iv) Location(s) and reason of selection of area/campus
    - (v) Program of studies
    - (vi) General policy towards admissions, drop out and re-enrolment
    - (viii) Performance measurement policy for students and faculty
    - (ix) Marketing and communication initiatives for the promotion of CA Pakistan
    - (x) Additional information if any.
  - II. **Self-Evaluation Report**
    - (i) Qualification and Experience of the Sponsor/Principal/Head of the Campus
    - (ii) Assessment of Campus’s resources and facilities against Institute’s requirements, the resources and facilities being the infrastructure, administration, teaching staff, spacious class rooms, furniture and fixtures, computer labs and library equipped with curriculum supporting resources
    - (iii) Details of faculty i.e. qualifications and selection criteria
    - (iv) A well-designed approach for teachers’ professional development
    - (v) Embedded quality assurance processes i.e. academic supervision and level of administrative and technical support for quality assurance.
- b. School Systems that intend to be registered shall submit an application along with the prescribed induction fee. The application shall be accompanied by the proposal along with working papers prepared on the basis of benchmarks set forth in this directive.
- c. The applicant School Systems shall be required to obtain (i)275 points in aggregate and (ii) minimum points in certain pre-requisite areas as specified in this directive, to be eligible for registration.
- d. The ‘self-evaluation report’ of campuses offering CA education shall be accompanied by a Reasonable Assurance Report issued under the ‘International Standards on Assurance Engagement’ by a practicing chartered accountant firm that carries satisfactory QCR rating.
- e. In case the assurance report contains a modification, the Institute shall take decision after taking into consideration the impact of such modification.
- f. Upon successful completion of all the requirements for registration, the Institute shall consider the application as it may deem fit and proper for issuing a certificate to the effect that the School System is a Registered Accounting School System
- g. The Institute, upon satisfying itself on the applicant, shall issue a certificate to the effect that the School System is a Registered Accounting School System.

## **5. PERIODIC REPORTING**

- a. RASSs shall prepare a 'Statement of KPIs', covering a period of last two calendar years, on the specified format and shall submit the same to the Institute by February 28 of the year following the reported calendar years. The first such statement would cover the period of the calendar year in which RASS is given the said status. The same shall be submitted to the Institute by February 28 of the following year.
- b. The 'Statement of KPIs' shall be prepared on the basis of Key Performance Indicators specified in this directive. The 'Statement of KPIs' shall be accompanied by a Reasonable Assurance Report issued under the 'International Standards on Assurance Engagement' by a practicing chartered accountant firm that carries satisfactory QCR rating.
- c. In case the assurance report contains a modification, the Institute shall take decision after taking into consideration the impact of such modification.

## **6. BRANCH OF RASSs AND CHANGE OF LOCATION**

For establishing a new campus dedicated to CA courses or change of location of any approved campus, the RASS will be required to submit the Self Evaluation Report for such new campus or such new location of approved campus, accompanied by a Reasonable Assurance Report issued under the 'International Standards on Assurance Engagement' by a practicing chartered accountant firm that carries satisfactory QCR rating.

## **7. CHANGE IN OWNERSHIP OF RASS**

- a. The Principal or Sponsor having intention to change the ownership or partnership pattern of RASS shall apply in writing to the Institute, at least 45 days before such change
- b. The Institute, after satisfying itself to the person involved in the new arrangement, may grant approval of such change.

## **8. DELISTING OF RASS**

- (i) RASS shall be given a direction to comply with or remove the deficiency within a given period, which will not be more than four months, if it fails to:
  - a. submit 'Statement of KPIs' by due date;
  - b. meet the pre-requisites under this directive at any time; or
  - c. pay the prescribed annual renewal fee by due date .
- (ii) If RASS fails to comply with the direction within a given period, it will be given a notice of its delisting.
- (ii) If said RASS prefers not to exercise its right to appeal under this regulation, the RASS shall be delisted after expiry of appeal period. Once delisted, the RASS may apply for re-registration after December 31 of the calendar year in which the RASS has been delisted.
- (iii) The RASS which has been served notice of its delisting shall have a right to appeal to ETCOM for review of decision of delisting within 30 days from the date the said notice is communicated to the concerned RASS.
- (iv) The appellant RASS shall not be delisted till the decision of ETCOM on the appeal of the RASS.

## **9. KEY PERFORMANCE INDICATORS**

The following may be the broader parameters for the development of Key Performance Indicators:

- (i) Performance of students in CA examinations
- (ii) Quality of faculty

- (iii) Infrastructure and facilities
- (iv) Teaching environment
- (v) Focus of RASS on promotion of CA qualification and allocation of exclusive resources for CA stream
- (vi) Payment of fee and dues on time
- (vii) Code of conduct for students in the premises

## **10. ICAP'S ENGAGEMENT WITH RASSs**

There shall be close coordination and working relationship between ICAP and RASSs. The level of engagement may be as follows:

- (i) Prominent exposure on website, at front offices and in ICAP's events
- (ii) Mention of names of RASSs in advertisements and exhibitions
- (iii) Feedback facility in respect of examinations and results including sharing of statistics regarding performance of unsuccessful students
- (iv) Participation in Exam Review Committee meetings, which may be formed by the Council
- (v) Consultation on policies regarding education, delivery of education and examinations
- (vi) Participation in annual coordination meeting
- (vii) Priority in attending 'Train the trainers program'

## **11. FEE AND OTHER DUES**

- (i) The fee and other dues including registration and annual renewal shall be equivalent to the same applicable on RAET.
- (ii) The annual renewal fee in respect of each calendar year shall be payable in advance by January 31 of that calendar year.
- (iii) The sponsor(s) of an RASS shall be jointly and severally responsible for the payment of fee and other dues within the time specified under this scheme.
- (vi) An undertaking in this respect shall be filed by the sponsor(s) at the time of applying for registration of RASS or in case of existing RASSs, within six months from the effective date of this scheme.

## **12. OVERSIGHT BY THE INSTITUTE**

- a. The representative(s) of ICAP may carry out surprise or planned visit(s) to the CA-dedicated campus(es) of Registered Accounting School System at own discretion or on the complaint about significant non-compliance with the requirements of the registration.
- b. The visit(s), if any, will be for the purpose of assuring whether RASS is in compliance with the requirements of this directive or any other such regulation issued by the Institute from time to time. The representatives will be allowed to meet the students attending the courses and to attend any part of the course, if needed.
- c. After each visit a draft Visit Report will be shared with the RASS which will have 15 days to comment and respond. A final report will be submitted to ETCOM after considering the comments and response of RASS.

## **13. EFFECTIVE DATE**

This directive shall become effective on November 1, 2016.

**APPLICATION FOR REGISTRATION AS  
REGISTERED ACCOUNTING SCHOOL SYSTEM**

**SPONSOR(s)**

Name \_\_\_\_\_

Membership (if any) \_\_\_\_\_ Membership No \_\_\_\_\_

Present Occupation \_\_\_\_\_

Address (Office) \_\_\_\_\_

\_\_\_\_\_

Tel No. \_\_\_\_\_ Fax No. \_\_\_\_\_ E-mail \_\_\_\_\_

Address (Residence) \_\_\_\_\_

\_\_\_\_\_

Tel No. \_\_\_\_\_ Fax No. \_\_\_\_\_ E-mail \_\_\_\_\_

**PROPOSED RASS**

Proposed Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Tel No. \_\_\_\_\_ Fax No. \_\_\_\_\_ E-mail \_\_\_\_\_

Website Address \_\_\_\_\_

(Proposed name of RASS should not contain the words "Chartered Accountant" and "Professional Accountant")

**PRINCIPAL**

Name \_\_\_\_\_

Membership (if any) \_\_\_\_\_ Membership No \_\_\_\_\_

**ASSURANCE REPORT**

Firm of Chartered Accountants engaged for assurance \_\_\_\_\_

**INDUCTION FEE**

Cross Cheque / Pay Order / Bank Draft for Rs. \_\_\_\_\_ Dated \_\_\_\_\_

**UNDERTAKING**

- a. We apply for registration of the above named education facility for the conduct of classes as per ICAP prescribed syllabi, rules, regulations and instructions which have been read and understood by me and the management and administrative staff of my institution.
- b. We undertake to demonstrate to the satisfaction of ICAP that the operation/activities of my/our education institution shall be pursued with total commitment to the highest standards of teaching directed towards success of students in ICAP examinations and the highest professional and ethical standards of the CA profession will be maintained.
- c. We undertake that all fees and dues payable to ICAP will be paid timely and we, jointly and severally, hold ourselves responsible for the payment of fee and other dues.
- d. We shall abide by the scheme and policies governing the RASSs issued by the ICAP from time to time.

Date \_\_\_\_\_

(Signature of the Supervisor)

Place \_\_\_\_\_

**FOR INSTITUTE USE ONLY**

File No.

Checked by \_\_\_\_\_ Date \_\_\_\_\_

Approved by \_\_\_\_\_ Date \_\_\_\_\_

Certificate issued \_\_\_\_\_ No. \_\_\_\_\_ Date \_\_\_\_\_

No. 0000



**CA**  
PAKISTAN

## **The Institute of Chartered Accountants of Pakistan**

*Established under the Chartered Accountants Ordinance, 1961 (X of 1961)*

This is hereby certified that

**ABC Karachi**

is a

**Registered Accounting School System**

of The Institute of Chartered Accountants of Pakistan

*Director Education, Training and CPD  
September XX, 2016*

**BENCHMARK FOR SELF-EVALUATION  
FOR REGISTERED ACCOUNTING SCHOOL SYSTEMS**

S.No.	Particulars	Maximum Points	Scale for achievable points	Mandatory minimum points
<b>1.</b>	<b>Sponsor/Principal</b>			
1.1	Qualification of Sponsor or Principal (Select any one for evaluation)	10	FCA/PhD (10 points) ACA (6points) FCMA (5 points) ACMA (4 points) M Phil/MS (4 points)	4
1.2	Profile of the Sponsor or Principal	10	Proof of minimum 10 years of teaching and/or professional experience	5
1.3	Engagement of Sponsor or Principal with RASS	05	Whether engaged full time or part time. In case of part timer, consent from the employer to act as such, incase employed elsewhere.	5
<b>2.</b>	<b>Physical Facilities</b>			
2.1	Building	15	Constructed and utilized in accordance with the applicable rules/regulations/byelaws	0
2.2	Classroom furnished with minimum seating capacity of 20 students (on the basis of area of 10 sq. feet per student)	80	Each class room (10 marks)	40
2.3	<b>Planned</b> Maximum class size is 60 students (additional 10% allowed in special circumstances)	80		80
2.4	Library/ Reading Room	30	Accommodates 10% of planned students' population (5 points) <ul style="list-style-type: none"> <li>• At least 500 books in the library (5 points)</li> <li>• Quality of relevant books (5 points)</li> </ul> (Proportional evaluation) Evaluated through students' Feedback <ul style="list-style-type: none"> <li>• Subscription to at least 5 journals of international repute and at least two newspapers (one Urdu and one English) is mandatory. Access to online journals and newspapers also to be provided (7 points)</li> <li>• Presence of librarian (3 points)</li> </ul>	15

S.No.	Particulars	Maximum Points	Scale for achievable points	Mandatory minimum points
2.5	Computer facilities	30	Accommodates 10% of planned students' population (10 points) <ul style="list-style-type: none"> <li>Quality of systems available for use (10 points)</li> </ul> (Proportional evaluation) Evaluated through students' feedback <ul style="list-style-type: none"> <li>Sufficient number of computer systems available and does every student use it on individual basis. (10 points)</li> </ul>	15
2.6	Overall outlook and facilities	30	Approach to RASS (5), overall cleanliness (5) reception (5), Air-conditioning (5), sufficient washrooms (5), sufficient common rooms (5), play area (5), security (5) (Proportional evaluation) Evaluated through students' feedback	20
<b>3</b>	<b>Faculty</b>			
3.1	Faculty qualification <ol style="list-style-type: none"> <li>PhDs/ Fellow Chartered Accountants</li> <li>Associate Chartered Accountants and members of professional bodies recognized by ICAP</li> <li>Faculty having M Phil or 16+ years of Education, CAF or equivalent qualification with 3 year post training Experience</li> </ol>	50	Category (a) 10 points per person Category (b) 8 points per person*  Category (c) 6 points per person * one person is compulsory  The points are only for faculty members employed on full time basis, in addition to Principal. 50% points will be awarded for part time faculty members. CAF or equivalent qualification with 3 years post training experience is the minimum qualification for faculty.	20



S.No.	Particulars	Maximum Points	Scale for achievable points	Mandatory minimum points
3.2	Faculty profile – Chartered Accountants or members of professional bodies recognized by ICAP	50	5 points per person who is CPD compliant	10
3.3	Engagement of Faculty	10	Consent from the employers to act as such, if Part-time faculty members employed elsewhere	10
3.4	Other Staff	10	Total number of non-teaching, administrative and supporting staff, their designations and qualifications. Copies of service rules to be provided. Evaluation through observation of sufficiency)	5
<b>4.</b>	<b>Teachers' professional development</b>			
4.1	Trainings received by teachers during last 12 months	20	1 point for each training of minimum 4 hours per person	5
<b>5.</b>	<b>Quality Control Policies and Procedures</b>			
5.1	Faculty evaluation – peers and students	20	Documented policy/Evaluation form (Two evaluations in a subject for each teacher)	5
5.2	System to assess students' progress and provide them feedback	30	<ul style="list-style-type: none"> <li>• Documented policy/ regulations of examinations</li> <li>• copies of tests performed</li> </ul>	10
5.3	Academic planning/Course Completion Plans	40	Documented policy/ course planners (4 points per subject)	12
5.4	Code of conduct for students and ethical requirements	15	Documented code of conduct for students including ethical requirements and its orientation and dissemination	08
	<b>TOTAL</b>	<b>535</b>		

**Explanatory Notes:**

**1. Guidance on terms used:**

- a. "Quality of relevant books", "Quality of systems" and "Overall outlook and facilities" shall be determined by students' feedback on the following scale:

Quality judged	Bad	Below Average	Average	Above Average	Good	Excellent
Points	0	1	2	3	4	5

- b. "Professional bodies recognized by ICAP" means the professional bodies whose members are recognized under the bye-laws for full or part exemptions from examinations
- c. "Planned students' population" means seating capacity of furnished class rooms
- d. "Students" means students enrolled for chartered accountancy qualification.

**3. Qualitative evaluations must be supported by a brief description on the subject matter.**

\*\*\*\*\*  
\*\*\*\*\*

## KEY PERFORMANCE INDICATORS

S. No.	Indicators	KPI Measure	Max Points
<b>1</b>	<b>Infrastructure and facilities</b>		
1.1	Qualification of sponsor or principal	FCA/PhD (10 points) ACA (6 points) FCMA (5 points) ACMA (4 points) M Phil/MS (4 points)	10
1.2	Library/ Reading Room	Accommodates 10% of planned students' population (5 points) <ul style="list-style-type: none"> <li>• At least 500 books in the library (5 points)</li> <li>• Quality of relevant books (5 points)</li> </ul> (Proportional evaluation) Evaluated through students' Feedback <ul style="list-style-type: none"> <li>• Subscription to at least 5 journals of international repute and at least two newspapers (one Urdu and one English) is mandatory. Access to online journals and newspapers also to be provided (7 points)</li> <li>• Presence of librarian (3 points)</li> </ul>	30
1.3	Computer facilities	Accommodates 10% of planned students' population (10 points) <ul style="list-style-type: none"> <li>• Quality of systems available for use (10 points)</li> </ul> (Proportional evaluation) Evaluated through students' feedback <ul style="list-style-type: none"> <li>• Sufficient number of computer systems available and does every student use it on individual basis. (10 points)</li> </ul>	30
1.4	Classroom furnished with minimum seating capacity of 20 students (the area on the basis of 10 sq feet per student basis)	Each class room (10 marks)	80
1.5	Maximum class size is 60 students (additional 10% in special circumstances)		80
1.6	Building	Constructed and utilized in accordance with the applicable rules/regulations/bye-laws	15
1.7	Overall outlook and facilities	Approach to RASS (5), overall cleanliness (5), reception (5), Air-conditioning (5), sufficient washrooms (5), sufficient common rooms (5), play area (5), security (5) Evaluated through students' feedback to be incorporated in Evaluation given at para 3.1 (Proportional evaluation)	30

S. No.	Indicators	KPI Measure	Max Points
1.8	Faculty qualification a. PhDs/ Fellow Chartered Accountants b. Associate Chartered Accountants and members of professional bodies recognized by ICAP c. Faculty having M Phil or 16 + years of Education, CAF or equivalent qualification with 3 year post training experience	Category (a) 10 points per person  Category (b) 8 points per person*  Category (C) 6 points per person* one person is compulsory The points are for faculty members employed on full time basis in addition to principal. 50%points will be awarded to part time faculty members	100
1.9	Faculty profile – Chartered Accountants or members of professional bodies recognized by ICAP	5 points per person who is CPD compliant	50
1.10	Student Teacher Ratio (This benchmark would not be considered for evaluation if there are less than 20 students enrolled)	20:1 (A part time teacher will have 60% weightage)	40
1.11	Trainings received by teachers during reporting period	1 point for each training of minimum 4 hours per person	20
1.12	Faculty evaluation policy – peers and students	Standard of documented policy or evaluation forms (Two Evaluations in a subject for each teacher, 2 points for each teacher)	20
1.13	System to assess students' progress and provide them feedback	Standard of documented policy/copies of tests performed (2 points per teacher per subject)	30
1.14	Academic planning/Course Completion Plans	Standard of documented policy/course planners (4 points per subject)	40
1.15	Code of conduct for students and ethical requirements	Documented code of conduct for students including ethical requirements and its orientation and dissemination.	15
<b>2</b>	<b>Promotion of CA Program</b>		
2.1	Career Counselor desk well managed. Prominent, suitable for one-to-one discussion, attractive design, trained, experienced staff and promotional material available.	1 desk in a year (10 points)	20
2.2	Visits to school and colleges where at least 25 students are counseled exclusively for CA qualification.	Each school/college (5 points)	40

S. No.	Indicators	KPI Measure	Max Points
2.3	Participation in education expo where minimum one desk is dedicated for CA qualification	1 expo (10 points)	20
2.4	Scholarship for bright and needy students	100% fee waiver for 1% of the total students (6 points) (Proportional Evaluation)	60
<b>3</b>	<b>Faculty</b>		
3.1	Faculty performance evaluated by principal or academic committee of RASS. (There can be different grading system in RASSs. The rating which corresponds to above-normal performance would be treated as "Good" and normal performance would be treated as "Satisfactory")	More than 90% faculty rated "Good" (40 points) More than 90% faculty rated "Satisfactory" (20 points) The evaluation must be based on students and peer evaluation arranged for each faculty member twice in the course (Proportional Evaluation)	40
3.2	Faculty's contribution in "Pakistan Accountant" or any other reputable journal. (The journals other than Pakistan Accountant should be acceptable to principal or academic committee of RASS. The contribution may not necessarily be of technical nature)	4 points for one contribution	40
3.3	Faculty contribution in ICAP's syllabus review assignments. Each RASS is expected to provide a syllabus review report on the subjects selected by RASS before the commencement of classes of the selected subjects.	10 points for each subject	40
3.4	Faculty contribution in study packs review assignments. Each RASS is expected to provide study material review report on the subjects selected by RASS before the commencement of classes of the selected subjects.	20 points for each subject	40
<b>4</b>	<b>Teaching</b>		
4.1	Periodic Tests given to students. (The test should be documented and verified by the principal or academic committee of RASS)	4 tests per subject in a session (6 points) (Proportional Evaluation)	60
4.2	Test feedback provided to students by way of marking, evaluator's comment and model answers.	4 tests per subject in a session (6 points) (Proportional evaluation)	60

S. No.	Indicators	KPI Measure	Max Points
<b>5</b>	<b>Performance of students</b>		
*5.1	PRC (Four subjects)		
	Performance of enrolled students in ICAP exams (Enrolled students are those who are other than those who were dropped out after completing less than 40% classes and were duly reported to the Institute)	For each subject First 50 points - Percentage of passed students over enrolled students is equal to or more than overall result of the Institute (Proportionate Evaluation). Remaining 50 points – Percentage of passed students over enrolled students exceeding the overall result of the Institute (Proportionate Evaluation) <i>In case of 100% result of the Institute the proportionate evaluation would be done for full 100 points.</i>	400
*5.2	CAF (Eight subjects)		
	Performance of enrolled students in ICAP exams (Enrolled students are those who are other than those who were dropped out after completing less than 40% classes and were duly reported to the Institute)	For each subject First 50 points - Percentage of passed students over enrolled students is equal to or more than overall result of the Institute (Proportionate Evaluation). Remaining 50 points – Percentage of passed students over enrolled students exceeding the overall result of the Institute (Proportionate Evaluation) <i>In case of 100% result of the Institute the proportionate evaluation would be done for full 100 points.</i>	900
<b>6</b>	<b>Fee payment</b>		
6.1	Annual renewal fee payable in advance	On time (Reduce 2 point per day of delayed payment)	<b>30</b>

\*Amended in 322<sup>nd</sup> meeting of the Council held on December 13-14, 2019.

## Explanatory Notes:

### 1. Guidance on terms used:

- a. "Quality of relevant books", "Quality of systems" and "Overall outlook and facilities" shall be determined by students feedback on the following scale:

Quality judged	Bad	Below Average	Average	Above average	Good	Excellent
Points	0	1	2	3	4	5

- b. "Professional bodies recognized by ICAP" means the professional bodies whose members are recognized under the bye-laws for full or part exemptions from examinations.
- c. "Planned students' population" means seating capacity of furnished class rooms.
- d. "Students" means students enrolled for chartered accountancy qualification.

### 2. Points will be prorated where the performance achieved against a benchmark is less than the maximum.

*\*\*Example:*

#### KPI: Performance of students in PRC- Business Writing and Comprehension Skills

Maximum points	100
KPI measure	Percentage of pass students
ICAP overall result	6,000 students passed out of 12,500 (48%)
Achieved by RASS	67 student pass out of 120 in Business Writing and Comprehension Skills
	$67/120 = 55.83\%$ overall pass result
	Pass result is $55.83\% - 48\% = 7.83\%$ greater than overall ICAP result

#### Points gained

First 50 points	Result equal to or more than 48%	50
Remaining 50 points	Results in excess of 48%	
	$(7.83/100-48) \times 50$	7.52
Total points		58

### 3. Qualitative evaluations must be supported by a brief description on the subject matter.

## SELF-EVALUATION REPORT

AS AT \_\_\_\_\_

### NAME OF APPLICANT SCHOOL

S. No.	Particulars	Evaluation based on scale for achievable points	Maximum points	Points obtained	Mandatory minimum points	Working paper reference

Submitted by \_\_\_\_\_  
(Signature and name of authorized person)

Date and Place \_\_\_\_\_

\*\*\*\*\*

## STATEMENT OF KEY PERFORMANCE INDICATORS

FOR THE PERIOD \_\_\_\_\_

### NAME OF RASS

S. No.	Indicators	KPI measure	Maximum points	Points obtained	Working paper reference

Submitted by \_\_\_\_\_  
(Signature and name of authorized person)

Date and Place \_\_\_\_\_

\*\*\*\*\*





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**The Institute of  
Chartered Accountants  
of Pakistan**

*Directive 1.03*

**TRAINING REGULATIONS AND  
GUIDELINES**



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**TRAINING REGULATIONS AND GUIDELINES 2015**

**TRAINING IN PRACTICE**



## TRAINING REGULATIONS AND GUIDELINES 2015 TRAINING IN PRACTICE

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## 1. PREAMBLE

In exercise of the powers conferred by Section 15 of the Chartered Accountants Ordinance, 1961 read with the Chartered Accountants Bye-Laws 1983, the Council of the Institute has approved the following regulations and guideline to govern the training of a student of chartered accountancy in a firm of Chartered Accountants as prescribed under the bye-laws:

## 2. DEFINITIONS

- (1) In these Regulations, unless there is anything repugnant in the subject context:
- a) **Bye-laws** means Chartered Accountants Bye-laws 1983;
  - b) **Firm** means a sole practitioner or a partnership of members of the Institute engaged in professional practice;
  - c) **Institute** means the Institute of Chartered Accountants of Pakistan;
  - d) **Member** means a member of the Institute;
  - e) **Mentor** means a sole proprietor/partner or a fulltime employee of a TO responsible for guiding the Trainee Students on the matters other than technical issues;
  - f) **Member in charge** means a member in charge of an office of a firm of chartered accountants as mentioned in the Form C filed with the Institute;
  - g) **Ordinance** means Chartered Accountants Ordinance 1961;
  - h) **Prescribed** means as prescribed under the bye-laws;
  - i) **Student** means a person registered with the Institute as examinee;
  - j) **Technical Supervisor** means a CPD compliant sole proprietor/partner or member being fulltime employee responsible for development of technical competencies of Trainee Students;
  - k) **TO** means Training Organization as defined in the bye-laws;
  - l) **Trainee-on-probation** means a person who is registered with the Institute as Student and has commenced probationary period of training with a TO; and
  - m) **Trainee Student** means a Student whose contract of training has been registered with the Institute and whose period of training is not completed.
- (2) Unless the context otherwise requires, all other terms and expressions used but not defined in these regulations shall have the same meaning as assigned to them in the Ordinance and Bye-Laws; and words importing the singular shall include the plural and vice versa.

## 3. REGISTRATION OF TRAINING ORGANIZATION

### (1) Application for authorization

The application for authorization as TO shall be submitted in the following manner:

- (i) It shall be applied on prescribed application form along with the fee for authorization as prescribed by the Council from time to time.
- (ii) It shall be submitted by the authorized partner of the firm.



**(2) Prerequisites for authorization as TO**

A firm shall be authorized as a TO if it complies with the following criteria:

- (i) It has the following minimum number of audits to gain corresponding entitlement to train Trainee Students.

	Initial entitlement of 5 Trainee Students per sole proprietor/partner and member employee	Full entitlement as per bye-laws
Minimum audits	10	25
Including audit of limited companies	5	15
Minimum paid up capital of limited companies being audited (aggregate)	Not applicable	Rs.15 million

- (ii) It has nominated a CPD compliant Member, being sole proprietor/partner/full time employee, as Member Responsible for Student affairs (MRS);
- (iii) For full entitlement, it has nominated MRS who has minimum three year post qualification experience; and
- (iv) Any other condition specified by the Council from time to time.

**(3) Authorization Process**

Authorization of a TO shall be processed as follows:

- (i) The Institute shall conduct an evaluation of application for authorization through visits and review of documents and information obtained;
- (ii) Upon completion of the formalities for authorization as TO, the Institute shall authorize the firm to act as TO and train Students.
- (iii) A certificate to the effect that the firm is an authorized TO shall be issued by the Institute.
- (iv) Cases of firms not complying with the prescribed criteria shall be deferred and deficiencies shall be conveyed to the entity for removal of such deficiencies.
- (v) If the deficiencies are removed after a period of six months the firm shall be required to re-apply, otherwise a statement confirming that the deficiencies have been removed would suffice.

**(4) Subsequent failure to meet the pre-requisites for authorization**

- (i) In case a TO falls short of pre-requisites for authorization subsequently, the TO shall inform the Institute within 30 days for appropriate direction.
- (ii) The Institute shall have the power to grant waiver or relaxation from any condition for a period not exceeding one year. The reasons for granting waiver or relaxation shall be recorded in writing and communicated to the concerned TO.
- (iii) TO shall continue imparting training till further decision.

**4. MEMBER RESPONSIBLE FOR STUDENT AFFAIRS (MRS)**

- (1) TO shall nominate in each office one MRS who shall be the focal person in the office of the TO and shall assume the responsibility of:
  - (i) signing training contract and timely submission thereof to the Institute;
  - (ii) intimating nomination of Technical Supervisors and Mentors to the Institute;

- (iii) intimating allocation of Trainee Students among the Technical Supervisors and Mentors, to the Institute;
  - (iv) maintenance of training records specified in these regulations and as may be specified by the Institute from time to time;
  - (v) coordinating with the Technical Supervisors, Mentors, Students, Trainee Students and the Institute; and
  - (vi) ensuring compliance with these regulations.
- (2) In case a TO has other office where an employee is working as member in charge, the TO shall appoint sole proprietor/any partner as MRS of the said office. Except for signing training contract the nominated MRS may delegate all the assignments to the member in charge of the said office.

## **5. TECHNICAL SUPERVISOR AND MENTOR**

### **(1) Duties of Technical Supervisor**

A TO shall be required to appoint a Technical Supervisor for each Trainee Student who shall:

- (i) at the time of induction, arrange orientation and communicate the attributes on which a Trainee Student would be assessed under these regulations;
- (ii) ensure proper on-the-job training and practical experience as mentioned in these regulations;
- (iii) monitor the career progression plan and assess the progress annually . The outcome of assessment should be in recorded form;
- (iv) provide necessary guidance to the Trainee Student for improvement in the areas identified during annual assessments; and
- (v) as far as practical, avoid overtime work by Trainee Students to allow them adequate time for studies. Provided that where overtime is unavoidable, the Trainee Students shall be compensated in the manner specified in these regulations.

### **(2) Duties of Mentor**

A TO may appoint Mentor for the Trainee Students who may:

- (i) act as a trusted, caring and responsible guide who establishes a positive and personal relationship with Trainee Students and maintains regular interaction and consistent support;
- (ii) provide career guidance and help the Trainee Students to develop broader life management skills; and
- (iii) guide the Trainee Students in accessing solutions and resources, which the Trainee Students may need rather than to provide those solutions and resources.

*Explanation: Wherever reference to mentor is given in these regulations, it is clarified that these are only applicable when the TO has appointed the mentor.*

### **(3) Allocation of Trainee Students**

The allocation of Trainee Students to Technical Supervisors and Mentors shall be in the following manner:

- (i) TO shall allocate its Trainee Students among the Technical Supervisors for a period preferably not less than six months.
- (ii) The number of Trainee Students allocated to a Technical Supervisor shall not be more than his entitlement to Trainee Students prescribed under these regulations.
- (iii) Preferably, allocation of Trainee Students shall be to such Technical Supervisors who are sole proprietor/ partners or employees to whom the Trainee Students are functionally reporting.

- (iv) Allocation of Trainee Students to Mentors should be in accordance with the policy of the TO. A Mentor shall not be a person to whom the Trainee Student reports functionally.

**6. CONTRACT, TRAINING PERIOD AND STIPEND**

**(1) Contract**

- (i) There shall be a written contract, on the prescribed format, between the Trainee Students and their Training Organization.
- (ii) The contract shall be executed after completion of the probationary period of training and shall be sent to the Institute for registration within the prescribed period and in the manner prescribed under the Bye-Laws.
- (iii) In suitable circumstances the Institute shall have the power to condone delay in registration of training contract for maximum of thirty days.
- (iv) Delay in submission of contract for more than thirty days shall be treated as non-compliance with these regulations.

**(2) Period of training**

The training period shall vary according to the qualification of the Students at the time of commencement of training, as follows:

Qualification		Period of Training
(i)	CAF passed or equivalent thereto	3.5 years
(ii)	Four year Graduate / Post Graduate from Specified Degree Awarding Institutes (SDAI)	3 years
(iii)	*Four year Graduate / Post Graduate from any recognized degree awarding Institute with major in accounting or finance	3 years
(iv)	*All other Graduates including 14 years associate degree holders	4 years

**(3) Probationary period**

- (i) The Students shall be required to complete a probationary period as prescribed under the Bye-Laws.
- (ii) The engagement of a Student as a Trainee-on-probation shall be properly documented.
- (iii) The Student shall intimate his joining to the Institute within two weeks from the date of joining. A registration as Trainee-on-probation shall be effected upon such application and payment of prescribed fee. The Institute shall send a list of such Trainee-on-probation to the TO on monthly basis.
- (iv) TOs shall keep record of satisfactory performance during probationary period.
- (v) During the probationary period, the Trainee-on-probation shall be eligible for minimum stipend applicable for Trainee Students as may be specified by the Council.

**(4) Stipend**

The stipend shall be paid through banking channels and shall not be less than the minimum stipend specified by the Council.

**(5) Reimbursement of out of pocket expenses**

TOs shall prepare and implement a policy of reimbursement of out-of-pocket expenses incurred by the Trainee Students on assignments of TOs. Such policy shall be shared with the Trainee Students. A copy of the policy shall be filed with the Institute.

\* 285<sup>th</sup> meeting of the council held on April 7 and 8, 2017.

## **7. ENTITLEMENT**

Each TO shall engage Trainee Students as per its entitlement prescribed under the bye-laws, subject to the restriction imposed under Regulation 3.

## **8. LEAVES, SERVICE BREAK, WORKING HOURS, OVERTIME ETC.**

### **(1) Leave**

- (i) TOs shall allow leave of absence for examination and other purposes in accordance with bye-law 106(1)(i) during the training period in lieu of which no further training shall be required.
- (ii) TOs may also allow leaves during the training period against overtime as specified in these regulations in lieu of which no further training shall be required.
- (iii) TOs may also allow additional leave of absence of up to sixty days due to sickness, examinations or any other suitable reason in lieu of which Trainee Students shall be required to undergo further training for an equivalent period. TO shall intimate such cases to the Institute upon completion of training contract.
- (iv) All further leaves shall be subject to prior approval of the Institute and in lieu thereof Trainee Students shall be required to undergo further training for an equivalent period.
- (v) In calculating the number of leaves availed, weekends and public holidays falling at the start and the end of leave period shall not be counted.

### **(2) Service breaks**

- (i) The training period shall be completed without any service break except in the following circumstances, under intimation to the Institute:
  - (a) For any reason deemed appropriate by TO the service break of up to six months shall be allowed during the full tenure of training.
  - (b) Female Trainee Students shall be eligible for a break in their training period of up to one year on account of marriage and/or maternity during the full tenure of training.
- (ii) Service break for a period more than specified in this regulation shall be permitted with the prior approval of the Institute.
- (iii) TO may not pay any stipend during such period(s) of absence.

### **(3) Working hours and overtime**

- (i) During the training period a Trainee Students shall be required to accumulate working hours computed on the basis of 1,800 hours per year of training. For computing working hours standard recess time as per policy of TO shall be excluded.
- (ii) The timing and working days shall be specified by the TO. Provided it ensures that the Trainee Students completes 1800 hours per year of training.
- (iii) In case working hours exceed the number of hours specified in (i) above, the TO shall allow one day leave in lieu of each eight hours.
- (iv) Any unadjusted excess hours shall be compensated by way of overtime payment. The rate of overtime payment shall not be less than the rate computed on the basis of latest monthly stipend of the individual Trainee Student.

## 9. TRANSFER OF TRAINING CONTRACT

- (1) The training contract may be transferred:
  - (i) by mutual agreement between the TO and the Trainee Student,
  - (ii) in case TO ceases to exist or ceases to be a TO, or
  - (iii) when the number of Trainee Students engaged with the TO exceeds the entitlement of TO under these regulations.
- (2) **Transfers by mutual agreement**
  - (i) In the event of transfer of training contract by mutual agreement between the TO and the Trainee Student, the TO transferring the Trainee Student shall send to the Institute a copy of no objection certificate issued to the Trainee Student within thirty days of the issuance thereof.
  - (ii) The Trainee Student may apply to the TO for transfer of training contract and issuance of no objection certificate.
  - (iii) TO shall not require more than three month notice period for issuance of no objection certificate.
- (3) **Transfers in case TO ceases to exist or ceases to be a TO**

Trainee Students of a TO, which ceases to exist or ceases to be a TO due to any reason, shall enter into fresh contract for the residual period, with another TO within three months from the date of such cessation. Such fresh contracts shall be sent to the Institute for registration and shall be registered by the Institute without any registration fee.
- (4) **Transfers when the number of Trainee Students exceeds the entitlement**

If entitlement of a TO falls short of number of its Trainee Students, due to any reason including death, resignation, retirement and suspension of membership of partner(s) or fulltime employee of a TO, it shall immediately inform the Institute of the fact. The Institute may direct the excess Trainee Students, most recent in order of their registration:

  - (i) to enter into fresh contract for residual period with any other TO within a given time period for which no registration fee shall be charged by the Institute; or
  - (ii) to continue with the same TO for the residual period.

## 10. TERMINATION OF TRAINING CONTRACT

- (1) TO may terminate the training contract if a Trainee Student:
  - (i) is guilty of:
    - (a) misconduct;
    - (b) misbehavior; or
    - (c) breach of any of the provisions of the Training Contract; or
  - (ii) fails to progress satisfactorily as per criteria established by the TO.
- (2) The following procedures shall be followed, if TO is satisfied that a Trainee Student has prima facie committed any act(s) as mentioned in (1) above:
  - (i) TO shall issue a show-cause notice to the Trainee Student under a registered cover or through recorded mode of delivery, on the Trainee Student's address registered with the TO.
  - (ii) If on receipt of response of the Trainee Student, the TO is not satisfied, it shall grant the Trainee Student an opportunity of hearing.
  - (iii) In case the Trainee Student does not respond or does not attend the hearing, he shall be informed about the exparte proceedings in the matter.

- (iv) If the TO is satisfied, that the Trainee Student has committed any act(s) as mentioned in (1) above, it may terminate, the training contract of the Trainee Student under intimation to the Institute along with a ‘report on termination’ specified under these regulations.
- (v) All correspondence made in this regard by the TO or the Trainee Student shall be through recorded mode of delivery with proof of delivery.
- (vi) In the event of professional misconduct by a Trainee Student, falling under schedule III of the Ordinance, the TO shall report the matter to the Institute.
- (vii) A Trainee Student aggrieved by the termination of his training may prefer an appeal to the Council as prescribed under bye-law 107.

**11. CAREER PROGRESSION, TRAINING AREA, ASSESSMENT ETC.**

**(1) Career Progression Plan**

- (i) The progression of a Trainee Student shall be through the following roles or through any suitable alternate designations with prior intimation to the institute:
  - (a) Assistant trainee
  - (b) Associate trainee
  - (c) Senior associate trainee
- (ii) There shall be a Career Progression Plan (CPP) for Trainee Students which may contain the following:
  - (a) Qualification or achievement in examinations of the Institute required by TO for each role, subject to the minimum conditions applicable under the bye-laws and under these regulations;
  - (b) Minimum period of training required for each role;
  - (c) Minimum achievement required for each role in the periodic assessment of professional skills and professional values ethics and attitude
- (iii) Policy on CPP shall be submitted to the Institute within three months from the date of authorization as TO.
- (iv) TO may amend the policy on CPP any time it deems necessary under intimation to the Institute.

**(2) Training areas – Technical Competencies**

TOs should have a formal mechanism to support the development of technical competencies through on-the-job training. It is expected that the TO shall provide the Trainee Students practical exposure in the technical areas given in this regulation. The allocation of training period to various training areas shall be as follows:

Training area		Period allocation
(i)	Audit, assurance and related services	Not less than 1/3 <sup>rd</sup>
(ii)	Accounting and Financial Reporting	

Training area		Period allocation
(iii)	Taxation and corporate law	Remaining period
(iv)	Financial Management, management advisory and information technology	
(v)	Any area deemed appropriate by TO	

**(3) Training areas – Professional skills**

The training outcome relating to each type of professional skills shall be as follows:

**(i) Intellectual**

- (a) Research and evaluate information from a variety of sources and perspectives and draw appropriate conclusions.
- (b) Identify, evaluate, and recommend solutions to unstructured, multifaceted problems.
- (c) Apply innovative and critical thinking to solving problems.

Minimum proficiency under this head shall be of intermediate level.

**(ii) Personal**

- (a) Apply the principles of lifelong learning.
- (b) Set high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.
- (c) Evaluate professional commitments and manage time and resources for their achievement.
- (d) Proactively anticipate challenges and plan potential solutions.
- (e) Display openness to new ideas and opportunities.

Minimum proficiency under this head shall be of intermediate level.

**(iii) Interpersonal and communication**

- (a) Promote cooperation and teamwork, working towards organizational goals.
- (b) Communicate clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.
- (c) Use active listening and effective interviewing techniques.
- (d) Use negotiation skills to reach appropriate solutions and agreements.
- (e) Use consultative skills to minimize and resolve conflict in a work environment
- (f) Display sensitivity to cultural and language differences in all communication.
- (g) Present ideas and persuade others to provide support and commitment.

Minimum proficiency under this head shall be of intermediate level.

**(iv) Organizational**

- (a) Undertake work assignments in accordance with established methodologies and within the prescribed deadlines.
- (b) Review work to determine whether it complies with the organization’s quality standards.
- (c) Use effective people management skills to motivate and develop others.
- (d) Use effective delegation skills to deliver work assignments.
- (e) Demonstrate effective leadership skills.

Minimum proficiency under this head shall be of intermediate level.

**(4) Training areas – Professional values, ethics and attitude**

There shall be the following training outcome relating to professional values, ethics and attitude:

**(i) Professional skepticism and professional judgment**

- (a) Apply a skeptical mindset to critically assess financial information and other data relevant to the role of a professional accountant.
- (b) Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.

Minimum proficiency under this head shall be of intermediate level.

**(ii) Ethical principles**

- (a) Explain the nature of ethics.
- (b) Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics.
- (c) Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior to ethical dilemmas and determine an appropriate resolution.
- (d) Apply the relevant ethical requirements to professional behavior and compliance with standards.

Minimum proficiency under this head shall be of intermediate level.

**(iii) Commitment to the public interest**

- (a) Explain the role of ethics within the profession and in relation to the concept of social responsibility.
- (b) Explain the role of ethics in relation to business and good governance.
- (c) Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.
- (d) Compare the consequences of unethical behavior to the individual, to the profession, and to society at large.

Minimum proficiency under this head shall be of intermediate level.

*Explanation: Learning outcomes at the intermediate level relate to work situations that are characterized by moderate levels of ambiguity, complexity, and uncertainty.*



**(5) Assessment of professional development by TO**

- (a) The assessment of professional skills, values, ethics and attitude shall be carried out by TOs as nearly as practical on the format attached with these regulations.
- (b) The assessments shall be done within three months before or after completion of each year of training and finally after the completion of training.
- (c) The Institute may also assess professional skills, values, ethics and attitude through prescribed examinations.
- (d) Copy of the assessment carried out by TO shall be provided to the Trainee Student and the same shall be shared with the Institute along with completion certificate.

**(6) Record keeping of training by Trainee Student**

- (i) Trainee Students shall prepare the record of their training. The same shall be submitted to TO periodically as per policy of the TO.
- (ii) The TO shall specify the records to be maintained by its Trainee Students and the TO itself. The following minimum record shall be prepared by the Trainee Students:
  - (a) **Monthly time sheet duly authenticated as per TO's policy**
    - (i) Date
    - (ii) Nature of assignment based on the major category of technical competency required to perform the assignment
    - (iii) Name of client of TO
  - (b) **Annual/Completion record duly discussed and seen by Technical Supervisor**
    - (i) Major category of technical competency covered during the year
    - (ii) Value of experience gained
    - (iii) New exposure or advancement in previous exposure
    - (iv) The level of management with whom communicated and dealt
    - (v) Any ethical issue or dilemma faced
    - (vi) Comments of Technical Supervisor
- (iii) TOs shall be responsible for custody of original record submitted by the Trainee Students.
- (iv) TOs shall be responsible for keeping record of annual assessments as specified in these regulations.
- (v) The annual record shall be submitted to the Institute within three months from the date of completion of respective year of training.

(7) The Institute shall perform a periodic review of the training record kept by the training organization and Trainee Students.

**(8) Course on Professional Values, Ethics and Attitude**

The Institute may offer an online compulsory course on professional values, ethics and attitude. The Institute may consider similar in-house courses offered by TOs as equivalent to the Institute's course.

**(9) Certificate of Completion**

On completion of the training every TO shall send a certificate of completion to the Institute within 15 days.

## 12. STATEMENT OF TERMS AND CONDITIONS OF ENGAGEMENT

- (1) TO shall apprise the Trainee Students in respect of policies and procedures set forth by TO.
- (2) Such policies and procedures shall be in documented form duly acknowledged by the Trainee Student and to include the following:
  - (i) Mentor and allocation of Trainee Students among the Mentors
  - (ii) Re-imbursment of out-of-pocket expense
  - (iii) Leaves and service breaks
  - (iv) Office timing and overtime compensations
  - (v) Transfers and procedure for issuance of no objection certificate to enable students to join other TO
  - (vi) Career Progression
  - (vii) Trainee Students rotation in different areas
  - (viii) Record to be prepared by Trainee Students
  - (ix) Grievance mechanism

## 13. GRIEVANCE MECHANISM

- (1) TOs shall prepare and implement a policy that deals with grievances of Trainee Students and nominate a person with whom Trainee Students should contact in this regard. Such policy shall be shared with the Trainee Students.
- (2) A copy of the policy shall be filed with the Institute.

## 14. TRANSITION FOR EXISTING TOs

- (1) All firms which are authorized TOs at the commencement of these regulations shall comply with the requirements of these regulations. Provided that TO shall within three months intimate to the Institute any requirement which is practically not possible to be complied with or which requires some transition time.
- (2) Institute shall have the power to grant waiver or relaxation from any requirement. Decision of such waiver or relaxation shall be made after recording reasons thereof.

## 15. COMPLIANCE AND COUNSELING REVIEW

- (1) The Institute shall have the right to visit the premises of the TO.
- (2) The objectives of the visits shall include:
  - (i) To give and take feedback on training program of the TO;
  - (ii) To assist TO in performing its responsibilities towards training of Trainee Students; and
  - (iii) To review documents necessary to ensure compliance with the Training Regulations.
- (3) The visits of representatives of the Institute shall be undertaken on the date mutually agreed between the Institute and TO.
- (4) A report of the visit shall be made and shared with TO.

## 16. NON-COMPLIANCE

- (1) If default is made in complying with the requirement of these regulations, the Institute may;
  - (i) direct the TO in default to comply with the requirement within a specified period;
  - (ii) suspend authorization of TO in default for a specified period; or
  - (iii) cancel the authorization of TO in default.
- (2) A TO aggrieved by the decision of the Institute may prefer an appeal to the Council.

## 17. EFFECTIVE DATE

This Directive shall be effective from **September 1, 2015**.

Particulars	Form
<b>Forms</b>	
Application for registration as Training Organization - Details of management personnel - Details of other training offices - Details of audit - Declaration - Undertaking - Certificate of Approval as Training Organization	U U/A U/B U/C U/D U/E
Statement of particulars for registration as Trainee Students	Q
Training Contract	R
Deed of amendment of training contract	R/A
Certificate of completion of training	S
No Objection Certificate	T
Report on termination of training contract	ZB
<b>Sample documents for guidance purposes</b>	
Sample daily record	-
Sample Annual record	-
Sample assessments of Trainee Students	-
Sample record of satisfactory performance during the probationary period	-
Sample Career Progression Plan	-
<b>Others</b>	
Minimum Stipend	-

**APPLICATION FOR REGISTRATION AS TRAINING ORGANIZATION**

**To:**  
**The Directorate of Education and Training**  
**The Institute of Chartered Accountants of Pakistan**  
**Chartered Accountants Avenue**  
**Karachi – 75600.**

**DETAILS OF PROPOSED TRAINING ORGANIZATION (TO)**

Name \_\_\_\_\_

Registered Address \_\_\_\_\_

City / Town \_\_\_\_\_ Country \_\_\_\_\_

Phone \_\_\_\_\_ Fax No \_\_\_\_\_

E-mail \_\_\_\_\_ Website \_\_\_\_\_

Number of other Office(s) \_\_\_\_\_ Number of Partner(s) \_\_\_\_\_

Number of Qualified Employee(s) \_\_\_\_\_

Sole Proprietorship     Partnership

**DETAILS OF MEMBER RESPONSIBLE FOR STUDENT AFFAIRS (MRS)**

Name: \_\_\_\_\_

Membership No. \_\_\_\_\_ Membership Date: \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail: \_\_\_\_\_

**DETAIL OF AUDITS**

Total number of Audit: \_\_\_\_\_

Public Listed Companies: \_\_\_\_\_ Others: \_\_\_\_\_

Paid up Capital in aggregate: \_\_\_\_\_

\_\_\_\_\_  
Signature Name: \_\_\_\_\_

On behalf of \_\_\_\_\_ Designation: **Partner In charge**  
(Please mention the name of Training Organization)

Place: \_\_\_\_\_

Office Seal: \_\_\_\_\_ Date: \_\_\_\_\_

**Note: Please also fill in the annexures A to E**

**FOR INSTITUTE USE ONLY**

File No.	
----------	--

Checked By \_\_\_\_\_ Date \_\_\_\_\_

Application endorsed by Appraisal consultant (if required) \_\_\_\_\_ Date \_\_\_\_\_

Put up to Executives of the Institute \_\_\_\_\_ Date \_\_\_\_\_

Registered / NOT Registered \_\_\_\_\_ Date \_\_\_\_\_

**DETAILS OF MANAGEMENT PERSONNEL**

**Details of Partners / Sole Proprietor**

S #	Name of Partner (ACA/FCA)	Member- ship Number	Member- ship Date	Years of Post Qualification experience as Member		Location of Training Office	Individual student's entitlements
				In Practice	In other Discipline		

Please give following information if any of the partner(s) of the Training Organization is also a partner/sole practitioner in any other Training Organization

S #	Name of Partner (ACA / FCA)	Name of CA Firm / TO	Partnership / Sole Proprietor	Entitlements Availed

**Details of MRSs**

S #	Name of MRS (ACA/FCA)	Member- ship Number	Member- ship date	Years of Post Qualification experience as Member		Location of Training Office	CPD compliance Status
				In Practice	Outside practice		

*Continued on Reverse*

**Details of Qualified Employee(s)**

S #	Name	Membership Number	Membership date	Years of Post Qualification experience	Location of Training Office

**Details of Technical Supervisors (partners)**

S #	Name	Membership Number	Membership date	Years of Post Qualification experience	Location of Training Office	CPD compliance Status

**Details of Technical Supervisors (employees)**

S #	Name	Membership Number	Membership date	Years of Post Qualification experience	Location of Training Office	CPD compliance Status



**Details of Mentors (partners)**

S #	Name	Membership Number	Membership date	Years of Post Qualification experience	Location of Training Office	CPD compliance Status

**Details of Mentors (employees)**

S #	Name	Membership Number	Membership date	Years of Post Qualification experience	Location of Training Office	CPD compliance Status

**DETAILS OF OTHER TRAINING OFFICES**

Name of Training Organization: \_\_\_\_\_

Address of Training Office: \_\_\_\_\_

City / Town: \_\_\_\_\_ Country: \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail: \_\_\_\_\_

Name of Nominated MRS: \_\_\_\_\_

Membership No: \_\_\_\_\_ Membership Date: \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail: \_\_\_\_\_

Number of Partner(s) in training office \_\_\_\_\_

Number of Qualified Employee(s) in training office \_\_\_\_\_

Number of Technical Supervisors(partners) in training office \_\_\_\_\_

Number of Technical Supervisors(employees)in training office \_\_\_\_\_

**Note: Please fill in separate Form for each training office.**

DETAIL OF AUDITS

S #	Name of Client audited with address	Nature of Business	Public/Private Limited / Sole Proprietor / Other	Paid up Capital (Rs. in million)	Remarks
<b>Total paid up capital:</b>					

**DECLARATION**

It is hereby declared that \_\_\_\_\_ will abide by all terms and conditions given in approved Training Regulations and Guidelines and other provisions of CA Bye-Laws / Directives / Instructions made by or on behalf of the Council of the Institute from time to time in respect of Trainee Students and Training Organization.

*(name of Training Organization)*

It is further undertaken that \_\_\_\_\_ agrees to monitoring visits by the Institute’s consultant / representative and will implement recommendations resulting from such visits and the Member Responsible for Student Affairs shall inform immediately to Institute of Chartered Accountants of Pakistan if the Training Organization falls short of prescribed authorisation criteria.

*(name of Training Organization)*

Place: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Name: \_\_\_\_\_

\_\_\_\_\_

Designation: \_\_\_\_\_

On behalf of \_\_\_\_\_

*(Please mention the name of Training Organization)*



**Note:** This declaration is to be on the letterhead of the Training Organization without typing Annex D on it.

**UNDERTAKING**

I \_\_\_\_\_ Membership No \_\_\_\_\_ designated as \_\_\_\_\_

**Member Responsible for Student Affairs (MRS)** by \_\_\_\_\_

\_\_\_\_\_ for its Training Office at \_\_\_\_\_

under bye-law 102 of the CA Bye-laws 1983 do hereby undertake that I have thoroughly read and have the knowledge of the relevant Sections of the Ordinance, Bye-Laws, Training Regulations and Guidelines, Institute’s schemes of education and Directives of the Council. I have the ability to advise, counsel, evaluate, motivate and provide direction to Trainee Students; I have the ability to assume the responsibility of ensuring that annual evaluations are made and also assume the responsibility of maintenance of the records strictly as prescribed in the Training Regulations and/or the Guidelines, or otherwise as may be directed by the Committee from time to time. I shall comply with all the future directives and requirements to this effect and have full awareness of the ethics governing the meaning, purview and obligations of an MRS under bye-laws and Training Regulations.

Signature: \_\_\_\_\_

Place: \_\_\_\_\_

Date: \_\_\_\_\_



**Note:** This undertaking will be given on the letterhead of the Training Organization without typing Annex E on it.

TO-Number.



**CA**  
PAKISTAN

## The Institute of Chartered Accountants of Pakistan

*Established under the Chartered Accountants Ordinance, 1961 (X of 1961)*

This is hereby certified that

**TO name and Office**

is an approved

**Training Organization In Practice**

of The Institute of Chartered Accountants of Pakistan

*Director Education, Training and CPD*

*Date:* \_\_\_\_\_

**STATEMENT OF PARTICULARS FOR REGISTRATION  
AS TRAINEE STUDENT BYE-LAW 98 (1) & (2)**

Affix a recent Photograph of (1"x1") which should not be more than 3 months old

1. Name of Trainee Student: \_\_\_\_\_

2. Father's Name: \_\_\_\_\_

3. Date of Birth 

--	--	--	--	--	--	--	--

 Nationality: \_\_\_\_\_

4. NIC No: 

							-										-	
--	--	--	--	--	--	--	---	--	--	--	--	--	--	--	--	--	---	--

5. Qualifications:

Educational Qualification (Academic)	Examinations Passed	Month & Year of Exam	Grade/Div	Board / University/ Institute
Professional Qualification (eg CA PIPFA, ACCA, CIMA, ACMA, MBA etc)				

6. CRN and date of issuance \_\_\_\_\_

7. Addresses (Communication Address) \_\_\_\_\_

(Permanent Address) \_\_\_\_\_

8. Name of MRS \_\_\_\_\_

Name of Training Organization \_\_\_\_\_

Address \_\_\_\_\_

9. Present Status with CRN \_\_\_\_\_

*Continued on reverse*

- a. CRN: \_\_\_\_\_
- b. Name of Previous MRS: \_\_\_\_\_
- c. Name of Previous Training Organization: \_\_\_\_\_
- d. Period Served From: \_\_\_\_\_ to \_\_\_\_\_
- e. Details of leave availed
 

Study	Sick	Others	Total
- f. No objection certificate: Yes  No

I declare that the particulars given above are true and correct to the best of my knowledge and belief

Date: 

--	--	--	--	--	--	--	--

Place: \_\_\_\_\_

\_\_\_\_\_  
Signature of Trainee Student

**Endorsement by the MRS**

“I certify that the above particulars furnished by the Trainee Student are correct. He/She has completed the probationary period from \_\_\_\_\_ to \_\_\_\_\_ successfully”.

Date: 

--	--	--	--	--	--	--	--

Place: \_\_\_\_\_

\_\_\_\_\_  
Signature of the MRS

(Seal of Office)

**ATTACHMENTS**

1. Birth certificate and Matriculation Certificate duly attested by MRS/ Partner of Training Organization (not required in case of transfer).
2. Attested copy of certificate in respect of educational and professional qualifications with photocopies (not required in case of transfer).
3. Copy of NIC
4. Photograph size 1”x1” to be pasted on this form and one attested (by MRS / Partner) copy to be attached.





**TRAINING CONTRACT**  
(Bye-Law 99)

Stamp values  
applicable in each  
province of Pakistan  
at time of execution  
of contract

**1. The parties to this Training Contract are:**

Name of Student \_\_\_\_\_, referred to herein as the 'Trainee Student'

Address \_\_\_\_\_

\_\_\_\_\_

Name of MRS \_\_\_\_\_, referred to herein as the 'MRS'

Name of Training Organization \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

**2. The person named below shall be responsible for the Trainee Student's personal and professional development:**

(i) Name of Technical Supervisor \_\_\_\_\_

(ii) Name of Mentor, if any \_\_\_\_\_

**3. This Training Contract governs the Approved Training to be provided to the Trainee Student by an Authorized Training Organization under the Chartered Accountants Bye-Laws, 1983 (as amended from time to time) for the purpose of equipping the Trainee Student with the technical competencies, professional skills and professional values, ethics and attitude necessary for membership of the Institute of Chartered Accountants of Pakistan (referred to hereafter as "the Institute").**

**4. \*a** This Training Contract begins on \_\_\_\_\_ the \_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_ and shall continue until the Trainee Student has completed \_\_\_ years of Approved Training.

**\*b** In case of transfer of Trainee Student from one Training Organization to another, the residue training period begins on \_\_\_\_\_ the \_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_ and shall continue until Trainee Student has completed \_\_\_\_\_ year(s) \_\_\_\_\_ month(s) \_\_\_\_\_ day(s) of remaining Approved Training.

\* (In (a) or (b) write NA whichever not applicable.)

5. This Training Contract shall be subject to the provisions of the CA Ordinance, Bye-Laws and the Training Regulations and Guidelines made by the Council of the Institute from time to time, whether or not such provisions and or regulations came into force before or after the commencement of this Training Contract and the parties agree to comply with such provisions in all respects. The parties hereby acknowledge their mutual commitment to provide an effective training on the one hand and a proper contribution to the work of the MRS's Office on the other.

---

6. The Trainee Student is required to, under this Training Contract, carry out work at his Training Organization and at other locations and other organizations as specified by or under the authority of the MRS or his Training Organization, provided that such service will count as Approved Training within the regulations.

---

7. The Trainee Student agrees that, during the existence of this Training Contract and for any period following its expiry or termination during which eligibility to qualify for admission or to be admitted as an Associate of the Institute continues, the Trainee Student will:

- a. use every effort to further the objects of the Institute;
- b. observe and uphold the ethical and professional standards of the Institute;
- c. provide promptly and willingly all possible information and assistance if asked to do so by the Institute in the pursuance of its duties;
- d. properly carry out the duties lawfully assigned by his Training Organization and diligently pursue the studies required of Trainee Students of the Institute;
- e. maintain the confidential nature of the affairs of the Training Organization and its clients including the names and the nature of the business of such clients;
- f. not practice as a public accountant;
- g. not engage in any other business or occupation; and
- h. regularly maintain records of Approved Training in such form as may be required by the Institute.

---

8. The Training Organization agrees that:

- a. it will provide the Trainee Student with Approved Training to the best of his ability for the purposes set out in clause 3 of this training contract;
- b. it will ensure compliance of all Bye-Laws, Training Regulations, Council Directives and other provisions / instructions issued from time to time by the Institute, in respect of Trainee Student training and administration;
- c. it shall pay the monthly stipend and provides other compensation to its Trainee Students as may be specified by the Institute from time to time during the period of training;
- d. it will monitor the career progression plan and assess the progress annual in recorded form.
- e. provide the name of any person nominated as Technical Supervisor to replace the person named in clause 2 of this Training Contract.

---

9. This Training contract may be terminated:

- a. by mutual agreement between the parties; or
- b. As prescribed in Bye-Law 107 of CA Bye-Laws 1983

---

10. This Training Contract may not be altered or amended except as provided for in Bye-Law 100 of CA Bye-Laws 1983.

---

**In witness whereof** this Training Contract has been duly executed this \_\_\_\_\_ the \_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_.



**DEED OF AMENDMENT OF TRAINING CONTRACT  
(For Service breaks)**

This deed of amendment of training contract made and executed this \_\_\_\_\_  
(Execution date)

**BETWEEN:**

M/s. \_\_\_\_\_ and \_\_\_\_\_ CRN. \_\_\_\_\_  
(Training Organization) (Trainee Student)

WHEREAS the above parties have signed the training contract dated \_\_\_\_\_

Registered with the Institute on \_\_\_\_\_ for \_\_\_\_\_ years.

from \_\_\_\_\_ to \_\_\_\_\_ under

By-law 99 of Chartered Accountants Bye-Laws, 1983.

AND WHEREAS the both parties decided to amend the training contract to the extent that the completion date has been changed to \_\_\_\_\_ due to service break to be availed from \_\_\_\_\_ to \_\_\_\_\_ ( \_\_\_\_\_ days) by

\_\_\_\_\_ ( Trainee Student) in accordance with the directives of the Institute.

NOW THEREFORE this deed of amendment of training contract witnessed to read this as under:-

“The Completion date of the training contract has been revised from \_\_\_\_\_ to \_\_\_\_\_ .  
(Original date) (New date)

“That as amended as aforesaid the other terms and conditions in training contract dated \_\_\_\_\_ shall remain in full force and effect.”

**Witnesses:**

1. \_\_\_\_\_  
Signature of the Trainee Student

2. \_\_\_\_\_  
Signature and Name of MRS  
Name of Training Organization

**ON TRAINING ORGANIZATION'S LETTERHEAD  
(FORM 'S')**

The Director Education and Training  
The Institute of Chartered Accountants of Pakistan

**CERTIFICATE OF COMPLETION OF TRAINING**

I certify that the Trainee Student named below served as Trainee Student under registered training contract with me for the period stated in accordance with the bye-laws, of the Institute of Chartered Accountants of Pakistan and that his/her progress was satisfactory.

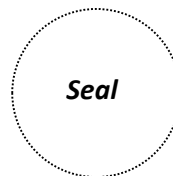
<b>MRS</b>	<b>NAME AND ADDRESS OF TRAINING ORGANIZATION</b>
<b>TRAINEE STUDENT</b>	
Name: _____	
Father's Name : _____	
<b>ICAP CRN</b>	

<b>PERIOD OF TRAINING SERVED</b> (Including approved excess leave period)																	
IN FIGURES	From <table style="display:inline-table; border-collapse: collapse;"> <tr> <td style="border:1px solid black; width:20px; height:20px;"></td> <td style="border:1px solid black; width:20px; height:20px;"></td> <td style="border:1px solid black; width:20px; height:20px;"></td> <td style="border:1px solid black; width:20px; height:20px;"></td> <td style="border:1px solid black; width:20px; height:20px;"></td> <td style="border:1px solid black; width:20px; height:20px;"></td> <td style="border:1px solid black; width:20px; height:20px;"></td> <td style="border:1px solid black; width:20px; height:20px;"></td> </tr> <tr> <td style="text-align:center;">D</td> <td style="text-align:center;">M</td> <td colspan="2" style="text-align:center;">Y</td> <td style="text-align:center;">D</td> <td style="text-align:center;">M</td> <td colspan="2" style="text-align:center;">Y</td> </tr> </table>									D	M	Y		D	M	Y	
D	M	Y		D	M	Y											
IN WORDS	From _____ To _____																

<b>LEAVE AVAILABLE</b>		
Normal <input style="width:60px;" type="text"/>	Excess * <input style="width:60px;" type="text"/>	Total leave available <input style="width:100px;" type="text"/>
* Excess leave approved by ICAP's letter No. _____ dated _____		

<b>IN CASE OF RE-REGISTRATION UPON TRANSFER FROM ANOTHER TRAINING ORGANIZATION OR MRS</b>	
Previous MRS: _____ TO: _____ CRN No. _____ Period served From: _____ To: _____ Leave available: <input style="width:60px;" type="text"/> Days	Previous MRS: _____ TO: _____ CRN. _____ Period served From: _____ To: _____ Leave available: <input style="width:60px;" type="text"/> Days

Date: \_\_\_\_\_  
 Place: \_\_\_\_\_  
 c.c Mr./Ms. \_\_\_\_\_



\_\_\_\_\_  
**Signature of MRS**

\* This Certificate must not be issued until the excess leave has been approved by the Institute, if required, and the Trainee Students has served the period in lieu of excess leave in the training organization.

**NO OBJECTION CERTIFICATE**  
**[Bye-Law 103(1) & (2)]**

I \_\_\_\_\_ of \_\_\_\_\_  
 \_\_\_\_\_ hereby certify that Mr/Ms \_\_\_\_\_ served as a Trainee  
 Student under me in accordance with the Chartered Accountants Bye-Laws, 1983 for a period of \_\_\_\_\_  
 years(s) \_\_\_\_\_ month(s) and \_\_\_\_\_ days(s) from \_\_\_\_\_ to \_\_\_\_\_  
 under CRN \_\_\_\_\_ and that I have no objection in transferring his/her Training Contract to another  
 registered training organization.

I hereby certify that during the above mentioned period the trainee student was given leave for \_\_\_\_\_ days.

I further certify that during the above mentioned period his / her work was satisfactory.

**The trainee student has also served with:**

Name of Training Organization \_\_\_\_\_

Name of MRS \_\_\_\_\_

From \_\_\_\_\_ to \_\_\_\_\_ CRN \_\_\_\_\_

Date \_\_\_\_\_ and availed \_\_\_\_\_ days leave.

Place \_\_\_\_\_ Date \_\_\_\_\_

**Office Seal**

\_\_\_\_\_  
*Signature of MRS*

REPORT ON TERMINATION OF TRAINING CONTRACT UNDER BYE-LAW 107(I) OF THE CA BYE-LAWS, 1983

Name of Trainee Student \_\_\_\_\_

CRN \_\_\_\_\_

Period \_\_\_\_\_ Date of \_\_\_\_\_

Commenced on \_\_\_\_\_ Termination \_\_\_\_\_

Name of MRS \_\_\_\_\_

Name of Training \_\_\_\_\_

Organization \_\_\_\_\_

Address of TO \_\_\_\_\_

\_\_\_\_\_

MRS's Report

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Certified Copies of Following Documents Enclosed:**

- 1. Show Cause Notice
- 2. Trainee Student's Reply to Show Cause Notice
- 3. Hearing Proceedings
- 4. Any other relevant correspondence /papers in respect of the matter

Date \_\_\_\_\_

\_\_\_\_\_

*Signature & Seal of Office*

**For THE INSTITUTE Use Only**

**Actions**

**Date**

- |  |       |
|--|-------|
| 1. Documents Checked   | _____ |
| 2. Termination Recorded  | _____ |
| 3. Letter of acknowledgement to MRS and copy to Trainee Student issued | _____ |
| 4. Receipt of Appeal from Trainee Student (if any)                     | _____ |
| 5. Reference of Appeal to the Council                                  | _____ |
| 6. Decision of the Council   | _____ |
| _____  |       |
| _____  |       |
| _____  |       |

Date \_\_\_\_\_

\_\_\_\_\_  
*Signature*



**Daily Record**

Trainee Students Name \_\_\_\_\_ CRN \_\_\_\_\_

Trainee Students Role \_\_\_\_\_ (Assistant trainee) \_\_\_\_\_

Technical Supervisor Name \_\_\_\_\_

S.No	Date	Name of the client	Major category of Technical Competencies (Mark the relevant)				Any other appropriate Area
			Audit, assurance & related services	Accounting & financial Reporting	Taxation & Corporate law	Financial Management, management advisory & IT	
1	01/07/13	XYZ Ltd.					
2	02/07/13	XYZ Ltd.					
3	03/07/13	XYZ Ltd.					
4	04/07/13	ABC welfare					
5	05/07/13	ABC welfare					
6	06/07/13	ABC welfare					

\_\_\_\_\_  
*Trainee Students Sign off*

\_\_\_\_\_  
*Technical Supervisor sign off*

**Annual Record**

Trainee Students Name \_\_\_\_\_ CRN \_\_\_\_\_

Trainee Students Role \_\_\_\_\_

Technical Supervisor Name \_\_\_\_\_

From \_\_\_\_\_ to \_\_\_\_\_

S. No	Major category of Technical Competencies	(Mark the relevant)
1	Audit, assurance & related services	
2	Accounting & financial Reporting	
3	Taxation & Corporate law	
4	Financial Management, management advisory & IT	
5	Any other appropriate area	

**Value of the Experience Gained**

*The intention of this section is to have you reflect on where you are today in terms of competency development and what value it has on your professional standing.*

Example: I gained assurance experience of a large sized textile industry involved in yarn manufacturing.

**New Exposure or Advancement or advancement to previous exposure**

*The intention of this section is to reflect on specific exposure.*

Specific areas I was exposed to was computation of Income Tax along with deferred tax. This is the first time I computed tax of this level of complexity that required good understanding of normal and final tax regime

**The level of management with whom communicated and dealt**

*The intention of this section is to reflect your interaction with higher management.*

CFO level frequently and CEO once at planning stage.

**Any ethical issue or dilemma faced**

*The intention of this section is to have you reflect on where you are today in terms of competency development and what value it has on your professional standing.*

At the client in accounts department, I met one of my old friends. I consulted my job in charge and found that it does not create noticeable familiarity threat.

**Comments of Technical Supervisor**

*The intention of this section is to have a feedback on your progress and development.*

I reviewed the form and found correct. It would have been better if he had mentioned at least two major jobs he was assigned.

**Trainee Student Sign off:**

I confirm that the above information accurately reflects the exposure and level to which I have demonstrated over this annual period of my practical experience and my reflective thought from my work assignments for the said period.

Date \_\_\_\_\_

\_\_\_\_\_  
*Signature*

**Technical Supervisor sign off.**

I have met with the CA Student noted above and discussed his/her competency and professional development and progression according to our CA Training Program.

Date \_\_\_\_\_

\_\_\_\_\_  
*Signature*

**CAREER PROGRESSION PLAN**

Training Organization \_\_\_\_\_

Trainee Student Name \_\_\_\_\_ CRN \_\_\_\_\_

	Technical Competency	Minimum required Training	Professional Skills				Professional Values, ethics & Attitude			Required score
			Intellectual	personal	Interpersonal and Communication	Organizational	Professional skepticism and professional judgment	Ethical Principles	Commitment to the public interest	
			(Total score from detailed assessment sheets)							
Assistant trainee	-	-								
Associate trainee	Cleared 6 papers of CAF	12 months								>60%
Senior Associate trainee	Cleared 3 papers of CFAP	24 months								>70%

**RECORD OF SATISFACTORY PERFORMANCE DURING THE PROBATIONARY PERIOD**

Name of the Trainee-on-probation \_\_\_\_\_ CRN \_\_\_\_\_

Father's Name \_\_\_\_\_

Name of MRS \_\_\_\_\_

Probationary period start Date \_\_\_\_\_

Probationary period end Date \_\_\_\_\_

Particulars	Total Marks	Marks obtained
Aptitude for CA qualification	35	
Awareness of personal performance	25	
Follows the Instructions	25	
Awareness of ethical principles( Integrity, objectivity and Confidentiality)	15	

**Overall rating**

Unsatisfactory       Satisfactory       Good       Excellent

Trainee-on-probation Sign off \_\_\_\_\_

MRS sign off \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

(Note: TO shall establish its own benchmark for rating a Trainee-on-probation)

**ASSESSMENT OF TRAINEE STUDENT**

**ASSISTANT TRAINEE ASSESSMENT**

S. No.	Particulars	Reviewer's Conclusion	
		Total	
<b>1</b>	<b>Intellectual</b>		
	• Is able to gather and assimilate information from various sources and perspectives.	10	
	• Is able to identify unstructured problems.	5	
	• Demonstrates creativity in approaches to work.	5	
		20	
<b>2</b>	<b>Personal</b>		
	• shows awareness of personal performance and demonstrates willingness to improve.	5	
	• Meets the deadlines of given task and appreciates time management.	5	
	• Is able to identify possible challenges in the tasks given.	5	
	• Shows flexibility and does not hesitate to try new approaches.	5	
		20	
<b>3</b>	<b>Interpersonal and Communication</b>		
	• Demonstrates understanding of organizational goals and working together.	5	
	• Presents information in written and numeric form clearly. Depicts awareness of clear communication.	5	
	• Demonstrates listening skills and understands given instructions.	5	
	• Is sensitive to cultural differences while communicating.	5	
		20	
<b>4</b>	<b>Organizational</b>		
	• Performs the given tasks in accordance with the established procedure within the deadline.	5	
	• Understands and follows the quality standards of the organizations.	5	
		10	
<b>5</b>	<b>Professional skepticism and professional judgment</b>		
	• Is able to draw questions on financial information and data.	5	

S. No.	Particulars	Reviewer's Conclusion	
	• Is able to analyze the responses on the questions raised.	5	
		10	
<b>6</b>	<b>Ethical Principles</b>		
	• Comprehends importance of fundamental ethical principles.	5	
	• Shows sensitivity on ethical issues.	5	
		10	
<b>7</b>	<b>Commitment to the public interest</b>		
	• Is aware of social responsibilities of accountants.	5	
	• Comprehends consequences of unethical behavior to the individual, to the profession and to the society at large.	5	
		10	

Advice to improve areas where points are less than 50%.

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Any other advice.

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\_\_\_\_\_  
Signature of technical supervisor

\_\_\_\_\_  
Signed by Trainee Student

Name \_\_\_\_\_

Name \_\_\_\_\_

Membership No. \_\_\_\_\_

CRN \_\_\_\_\_

**ASSOCIATE TRAINEE ASSESSMENT**

S. No.	Particulars	Reviewer's Conclusion	
		Total	
<b>1</b>	<b>Intellectual</b>		
	<ul style="list-style-type: none"> <li>Analyzes information gathered from various sources and perspectives.</li> </ul>	5	
	<ul style="list-style-type: none"> <li>Analyzes the unstructured problems.</li> </ul>	5	
	<ul style="list-style-type: none"> <li>Considers alternative approaches to getting the job done.</li> </ul>	5	
		15	
<b>2</b>	<b>Personal</b>		
	<ul style="list-style-type: none"> <li>Is eager to develop professional knowledge.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Understands importance of high personal standards and accepts feedback.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Identifies professional commitments and apply skills of effective time and resource management.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Is able to identify possible challenges and solutions in the tasks given.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Displays openness to new ideas and opportunities.</li> </ul>	3	
		15	
<b>3</b>	<b>Interpersonal and Communication</b>		
	<ul style="list-style-type: none"> <li>Works effectively in a team.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Presents information in written and numeric form clearly. Communicate ideas clear through oral communication.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Communicates effectively using listening and questioning skills.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Expresses logic and rational clearly while communicating.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Communicates effectively in teams across all levels and produce results.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Takes difference of opinion positively.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Displays sensitivity to cultural and language differences while communicating.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Actively participates in team by presenting ideas.</li> </ul>	4	
		20	
<b>4</b>	<b>Organizational</b>		
	<ul style="list-style-type: none"> <li>Performs the given tasks in accordance with the established procedure within the deadline.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Follows the organizational quality standards and pays attention to details.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Gels well in teams, displays sensitivity to shortcomings of others and understands importance of encouragement.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Understands importance and ways of delegation of work.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Understands the leadership traits.</li> </ul>	2	
		10	



S. No.	Particulars	Reviewer's Conclusion	
5	<b>Professional skepticism and professional judgment</b>		
	• Applies skeptical mindset to critically assess financial information and data presented.	10	
	• Identifies reasonable alternatives based on all relevant facts and circumstances.	10	
		20	
6	<b>Ethical Principles</b>		
	• Comprehends nature of ethics.	2	
	• Recognizes rules-based and principles-based approaches to ethics.	2	
	• Applies fundamental principles of ethics.	3	
	• Adopts professional behavior in accordance with standards and ethical best practice.	3	
		10	
7	<b>Commitment to the public interest</b>		
	• Comprehends ethics within the profession and in relation to social responsibility.	2	
	• Comprehends the role of ethics in relation to business and good governance.	2	
	• Understands the relationship of ethics, law and regulations and relationship with public interest.	3	
	• Comprehends consequences of unethical behavior to the individual, to the profession and to the society at large.	3	
		10	

Advice to improve areas where points are less than 50%.

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Any other advice.

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\_\_\_\_\_  
Signature of technical supervisor

\_\_\_\_\_  
Signed by Trainee Student

Name \_\_\_\_\_

Name \_\_\_\_\_

Membership No. \_\_\_\_\_

CRN \_\_\_\_\_

**SENIOR ASSOCIATE TRAINEE ASSESSMENT**

S. No.	Particulars	Reviewer's Conclusion	
		Total	
<b>1</b>	<b>Intellectual</b>		
	• Researches information from a variety of sources and perspectives.	3	
	• Identifies solutions to unstructured, multifaceted problems.	3	
	• Applies reasoning, critical analysis, and innovative thinking to solve problems.	4	
		10	
<b>2</b>	<b>Personal</b>		
	• Demonstrates a commitment to learning.	2	
	• Sets high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.	2	
	• Evaluates professional commitments and manages time and resources to achieve professional commitments.	2	
	• Anticipates challenges and plan potential solutions.	2	
	• Displays openness to new ideas and opportunities.	2	
		10	
<b>3</b>	<b>Interpersonal and Communication</b>		
	• Displays cooperation and teamwork when working towards organizational goals.	2	
	• Communicates clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.	2	
	• Uses active listening and effective interviewing techniques.	2	
	• Uses negotiation skills to reach appropriate solutions and agreements.	2	
	• Uses consultative skills to minimize or resolve conflict in a work environment.	2	
	• Displays sensitivity to cultural and language differences in all communication.	2	
	• Presents ideas and persuade others to provide support and commitment.	3	
		15	
<b>4</b>	<b>Organizational</b>		
	• Undertakes work assignments in accordance with established methodologies and within prescribed deadlines.	2	
	• Reviews work to determine whether it complies with the organization's quality standards.	2	
	• Uses effective people management skills to motivate others.	2	
	• Uses effective delegation skills to deliver work assignments.	2	
	• Applies leadership skills to influence others to work towards organizational goals.	2	
		10	

S. No.	Particulars	Reviewer's Conclusion	
<b>5</b>	<b>Professional skepticism and professional judgment</b>		
	• Applies a skeptical mindset to critically assess financial information and other relevant data.	10	
	• Identifies reasonable alternatives to help reaching well-reasoned conclusions based on all relevant facts and circumstances.	10	
		20	
<b>6</b>	<b>Ethical Principles</b>		
	• Comprehends the nature of ethics.	5	
	• Comprehends the advantages and disadvantages of rules-based and principles-based approaches to ethics.	5	
	• Applies fundamental ethical principles to ethical dilemmas.	5	
	• Applies the relevant ethical requirements to professional behavior in compliance with standards.	5	
		20	
<b>7</b>	<b>Commitment to the public interest</b>		
	• Explains the role of ethics within the profession and in relation to the concept of social responsibility.	3	
	• Explains the role of ethics in relation to business and good governance.	4	
	• Analyzes the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.	4	
	• Compares the consequences of unethical behavior to the individual, the profession, and to society at large.	4	
		15	

Advice to improve areas where points are less than 50%.

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Any other advice.

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Signature of technical supervisor

Signed by Trainee Student

Name \_\_\_\_\_

Name \_\_\_\_\_

Membership No. \_\_\_\_\_

CRN \_\_\_\_\_

**SENIOR ASSOCIATE TRAINEE STUDENT ASSESSMENT UPON COMPLETION OF TRAINING**

S. No.	Particulars	Reviewer's Conclusion	
		Total	
<b>1</b>	<b>Intellectual</b>		
	• Researches and evaluates information from a variety of sources and perspectives and draw appropriate conclusions.	3	
	• Identifies, evaluates and recommends solutions to unstructured, multifaceted problems.	3	
	• Applies innovative and critical thinking to solving problems.	4	
		10	
<b>2</b>	<b>Personal</b>		
	• Applies the principles of lifelong learning.	2	
	• Sets high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.	2	
	• Evaluates professional commitments and manage time and resources to achieve professional commitments.	2	
	• Proactively anticipates challenges and plan potential solutions.	2	
	• Displays openness to new ideas and opportunities.	2	
		10	
<b>3</b>	<b>Interpersonal and Communication</b>		
	• Promotes cooperation and teamwork when working towards organizational goals.	2	
	• Communicates clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.	2	
	• Uses active listening and effective interviewing techniques.	2	
	• Uses negotiation skills to reach appropriate solutions and agreements.	2	
	• Uses consultative skills to minimize or resolve conflict in a work environment.	2	
	• Displays sensitivity to cultural and language differences in all communication.	2	
	• Presents ideas and persuade others to provide support and commitment.	3	
		15	
<b>4</b>	<b>Organizational</b>		
	• Undertakes work assignments in accordance with established methodologies and within prescribed deadlines.	2	
	• Reviews work to determine whether it complies with the organization's quality standards.	2	
	• Uses effective people management skills to motivate and develop others.	2	
	• Uses effective delegation skills to deliver work assignments.	2	
	• Demonstrates effective leadership skills.	2	
		10	

S. No.	Particulars	Reviewer's Conclusion	
5	<b>Professional skepticism and professional judgment</b>		
	• Applies a skeptical mindset to critically assess financial information and other relevant data.	10	
	• Identifies reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.	10	
		20	
6	<b>Ethical Principles</b>		
	• Comprehends the nature of ethics.	5	
	• Comprehends the advantages and disadvantages of rules-based and principles-based approaches to ethics.	5	
	• Applies fundamental ethical principles to ethical dilemmas and determines an appropriate resolution.	5	
	• Applies the relevant ethical requirements to professional behavior in compliance with standards.	5	
		20	
7	<b>Commitment to the public interest</b>		
	• Explains the role of ethics within the profession and in relation to the concept of social responsibility.	3	
	• Explains the role of ethics in relation to business and good governance.	4	
	• Analyzes the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.	4	
	• Compares the consequences of unethical behavior to the individual, the profession, and to society at large.	4	
		15	

Advice to improve areas where points are less than 50%.

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Any other advice.

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Signature of technical supervisor

Signed by Trainee Student

Name \_\_\_\_\_

Name \_\_\_\_\_

Membership No. \_\_\_\_\_

CRN \_\_\_\_\_

**MINIMUM STIPEND RATES EFFECTIVE FROM JULY 1, 2019**

**1. CAF Passed or equivalent thereto (Training period 3.5 years)**

Criteria	Rupees per month
On Commencement of Training	12,700
On Passing any three papers of CFAP	17,300
On Passing all papers of CFAP/any three papers of CFAP and one MSA or equivalent	23,900
On Passing all the prescribed examinations required to become member of the Institute	47,700

**2. Four years Graduate degree holders from Specified Degree Awarding Institutes/ Four years degree holders from any recognized Degree Awarding Institute with major in accounting or finance (Training period 3 years)**

Criteria	Rupees per month
On Commencement of Training	15, 800
On Passing any three papers of CFAP	17,300
On Passing all papers of CFAP/any three papers of CFAP and one MSA or equivalent	23,900
On Passing all the prescribed examinations required to become member of the Institute	47,700

**3. Other Qualifications (Training period 4 years)**

Criteria	Rupees per month
On Commencement of Training	11,100
On Passing any three papers of CFAP	17,300
On Passing all papers of CFAP/any three papers of CFAP and one MSA or equivalent	23,900
On Passing all the prescribed examinations required to become member of the Institute	47,700

**TRAINING REGULATIONS AND GUIDELINES 2016**

**TRAINING OUTSIDE PRACTICE**





## TRAINING REGULATIONS AND GUIDELINES 2016 TRAINING OUTSIDE PRACTICE

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## 1. PREAMBLE

In exercise of the powers conferred by Section 15 of the Chartered Accountants Ordinance, 1961 read with the Chartered Accountants Bye-Laws 1983, the Council of the Institute has approved the following regulations and guidance to govern the training of a student of chartered accountancy in entities other than professional firms authorized by the Institute as prescribed under the bye-laws.

## 2. DEFINITIONS

- (1) In these Regulations, unless there is anything repugnant in the subject context:
  - (a) **Bye-laws** means Chartered Accountants Bye-laws 1983;
  - (b) **Institute** means the Institute of Chartered Accountants of Pakistan;
  - (c) **Member** means a member of the Institute;
  - (d) **Mentor** means a fulltime employee of a TO responsible for guiding the Trainee Students on the matters other than technical issues;
  - (e) **Ordinance** means Chartered Accountants Ordinance 1961;
  - (f) **Prescribed** means as prescribed under the bye-laws;
  - (g) **Student** means a person registered with the Institute as examinee;
  - (h) **Technical Supervisor** means a CPD compliant fulltime member employee responsible for development of technical competencies of Trainee Students;
  - (i) **TO** means Training Organization as defined in the bye-laws;
  - (j) **Trainee-on-probation** means a person who is registered with the Institute as student and has commenced probationary period of training with a TO; and
  - (k) **Trainee Student** means a Student whose contract of training has been registered with the Institute and whose period of training is not completed.
- (2) Unless the context otherwise requires, all other terms and expressions used but not defined in these regulations shall have the same meaning as assigned to them in the Ordinance and Bye-Laws; and words importing the singular shall include the plural and vice versa.

## 3. REGISTRATION OF TRAINING ORGANIZATION

### (1) Submission of proposal

The Institute on application by an entity may initiate the process for declaring an entity as TO. The document for processing a case for approval of an entity as a TO shall include:

- (i) An expression of interest of the entity;
- (ii) Necessary details with required documentation and explanation to demonstrate that pre-requisites for acting as a TO as per the Regulations are in existence; and
- (iii) The application shall be submitted by a person authorized by the management of entity.

**(2) Pre-requisites for authorization as TO**

An industrial, commercial or other entity shall be authorized as a TO if it complies with the following criteria:

- (i) Business and operation of the organization is considered appropriate by the Institute for the purposes of professional development of trainees;
- (ii) At least three\* members of the Institute are employed by the entity, and at least two members must have post qualification experience of five years or more. Provided that for entities registered and operating in Balochistan, Gilgit Baltistan, Azad Jammu & Kashmir and any other jurisdiction which the Council considers appropriate, the minimum number of members employed shall be one with at least three years post qualification experience;
- (iii) It has nominated a CPD compliant Member, being full time employee, as Member Responsible for Student affairs (MRS); and
- (iv) Any other condition as may be specified by the Council from time to time.

**(3) Authorization Process**

Authorization of a TO shall be processed as follows:

- (i) The Institute shall conduct an evaluation of the proposal through visits and/or review of documents and information obtained;
- (ii) Upon completion of the formalities for authorization as training organization, the Institute shall authorize the entity to act as TO and train students;
- (iii) A certificate to the effect that the organization is an Authorized TO shall be issued by the Institute;
- (iv) Cases of entities not complying with the prescribed criteria shall be deferred and deficiencies shall be conveyed to the entity for removal of such deficiencies;
- (v) If the deficiencies are removed after a period of six months the entity shall be required to re-apply, otherwise a statement confirming that the deficiencies have been removed would suffice.

**(4) Subsequent failure to meet the pre-requisites for authorization**

- (i) In case a TO falls short of the pre-requisites for authorization subsequently, the TO shall inform the Institute within 30 days for appropriate direction.
- (ii) The Institute shall have the power to grant waiver or relaxation from any condition for a period not exceeding one year. The reasons for granting waiver or relaxation shall be recorded in writing and communicated to the concerned TO.
- (iii) TO shall continue imparting training till further decision.

**4. MEMBER RESPONSIBLE FOR STUDENT AFFAIRS(MRS)**

TO shall nominate in each office one MRS who shall be the focal person in the office of the TO and shall assume the responsibility of:

- (i) signing training contracts and timely submission thereof to the Institute; as prescribed in Para-6 (1) of this Directive.
- (ii) intimating nomination of Technical Supervisors and Mentors to the Institute;
- (iii) intimating allocation of Trainee Students among the Technical Supervisors and Mentors to the Institute;

\*387th Meeting of the Council held on July 19-20, 2024

- (iv) maintenance of training records specified in these regulations and as may be specified by the Institute from time to time;
- (v) coordinating with the Technical Supervisors, Mentors, Students, Trainee Students and the Institute; and
- (vi) ensuring compliance with the regulations.

## 5. TECHNICAL SUPERVISOR AND MENTOR

### (1) Duties of Technical Supervisor

A TO shall be required to appoint a Technical Supervisor for each Trainee Student who shall:

- (i) at the time of induction, arrange orientation and communicate the attributes on which a Trainee Student would be assessed under these regulations;
- (ii) ensure proper on-the-job training and practical experience as mentioned in these regulations;
- (iii) monitor the career progression plan and assess the progress annually. The outcome of assessment should be in recorded form;
- (iv) provide necessary guidance to the Trainee Students for improvement in the areas identified during annual assessments; and
- (v) as far as practical, avoid overtime work by Trainee Students, to allow them adequate time for studies. Provided that where overtime is unavoidable, the Trainee Student shall be suitably compensated in the manner specified in these regulations.

### (2) Duties of Mentor

A TO may appoint mentors for the Trainee Students who may:

- (i) act as a trusted, caring and responsible guide who establishes a positive and personal relationship with the Trainee Students and maintains regular interaction and consistent support;
- (ii) provide career guidance and help the Trainee Students to develop broader life management skills; and
- (iii) guide the Trainee Students in accessing solutions and resources which the Trainee Students may need, rather than to provide those solutions and resources.

*Explanation: Wherever reference to mentor is given in these regulations, it is clarified that these are only applicable when the TO has appointed the mentor.*

### (3) Allocation of Trainee Students

The allocation of Trainee Students to Technical Supervisors and Mentors shall be in the following manner:

- (i) TO shall allocate its Trainee Students among the Technical Supervisors for a period preferably not less than six months.
- (ii) Preferably, allocation of Trainee Students shall be to such Technical Supervisors to whom the Trainee Students are functionally reporting.
- (iii) Allocation of Trainee Students to mentors should be in accordance with the policy of the TO. A mentor shall not be a person to whom the Trainee Student reports functionally.

**6. CONTRACT, TRAINING PERIOD AND STIPEND**

**(1) Contract**

- (i) There shall be a written contract, on the prescribed format, between the Trainee Students and their Training Organization.
- (ii) The contract shall be executed after completion of the probationary period of training and shall be sent to the Institute for registration within the prescribed period and in the manner prescribed under the Bye-Laws.
- (iii) In suitable circumstances the Institute shall have the power to condone delay in registration of training contract for maximum of thirty days.
- (iv) Delay in submission of contract for more than thirty days shall be treated as non-compliance with these regulations.

**(2) Period of training**

The training period shall vary according to the qualification of the Trainee Student at the time of commencement of training, as follows:

Qualification		Period of Training
(i)	CAF passed or equivalent thereto	3.5 years
(ii)	Four year Graduate / Post Graduate from Specified Degree Awarding Institutes (SDAI)	3 years
(iii)	*Four year Graduate / Post Graduate from any recognized degree awarding Institute with major in accounting or finance	3 years
(iv)	*All other Graduates including 14 years associate degree holders	4 years

**(3) Probationary period**

- (i) Trainee Student shall be required to complete a probationary period as prescribed under the Bye-Laws.
- (ii) The engagement of a student as a Trainee-on-probation shall be properly documented.
- (iii) The Student shall intimate his joining to the Institute within two weeks from the date of joining. A registration as Trainee-on-probation shall be effected upon such application and payment of prescribed fee. The Institute shall send a list of such Trainee-on-probation to the TO on monthly basis.
- (iv) TOs shall keep record of satisfactory performance during probationary period.
- (v) During the probationary period, the trainee shall be eligible for minimum stipend applicable for Trainee Students as may be specified by the Council.

Provided that this clause shall not apply to an employee under employment for more than three months in TO outside practice.

\* 285<sup>th</sup> meeting of the council held on April 7 and 8, 2017.

**(4) Stipend/Salary**

The stipend/salary shall be paid through banking channels and shall not be less than the minimum stipend specified by the Institute.

**7. ENTITLEMENT**

A TO outside practice shall be entitled to train five Trainee Students per member employed fulltime by the TO.

**8. LEAVES, SERVICE BREAK, WORKING HOURS, OVERTIME ETC.****(1) Leave**

- (i) TOs shall allow leave of absence for examination and other purposes in accordance with bye-law 106(1)(i) during the training period in lieu of which no further training shall be required.
- (ii) TOs may also allow leaves during the training period against overtime as specified in these regulations in lieu of which no further training shall be required.
- (iii) TOs may also allow additional leave of absence of up to sixty days due to sickness, examinations or any other suitable reason in lieu of which Trainee Student shall be required to undergo further training for an equivalent period. TO shall intimate such cases to the Institute upon completion of training contract.
- (iv) All further leaves shall be subject to prior approval of the Institute and in lieu thereof the Trainee Student shall be required to undergo further training for an equivalent period.
- (v) In calculating the number of leaves availed weekends and public holidays falling at the start and the end of leave period shall not be counted.

**(2) Service breaks**

- (i) The training period shall be completed without any service break except in the following circumstances, under intimation to the Institute:
  - (a) For any reason deemed appropriate by TO, the service break of up to six months shall be allowed; during the full tenure of the training.
  - (b) Female Trainee Students shall be eligible for a break in their training period of up to one year on account of marriage and/or maternity during the full tenure of training.
- (ii) Service break for a period more than specified in this regulation shall be permitted with the prior approval of the Institute.
- (iii) TO may not pay any stipend during such period(s) of absence.

**(3) Working hours and overtime**

- (i) During the training period a Trainee Student shall be required to accumulate working hours computed on the basis of 1,800 hours per year of training. For computing working hours standard recess time as per policy of TO shall be excluded.
- (ii) The timing and working days shall be specified by the TO. Provided that it ensures that Trainee Student completes 1800 hours per year of training.
- (iii) In case working hours exceed the number of hours specified in (i) above the TO shall allow one day leave in lieu of each eight hours.
- (iv) Any unadjusted excess hours shall be compensated by way of overtime payment. The rate of overtime payment shall not be less than the rate computed on the basis of latest monthly stipend/salary of the individual Trainee Student.

**9. TRANSFER OF TRAINING CONTRACT****(1) The training contract may be transferred:**

- (i) by mutual agreement between the TO and the Trainee Student;
- (ii) in case TO ceases to exist or ceases to be a TO; or
- (iii) when the number of Trainee Students with the TO exceeds the entitlement of TO under these regulations.

**(2) Transfers by mutual agreement**

- (i) In the event of transfer of training contract by mutual agreement between the TO and the Trainee Student, the TO transferring the Trainee Student shall send to the Institute a copy of no objection certificate issued to the Trainee Student within thirty days of the issuance thereof.
- (ii) The Trainee Student may apply to the TO for transfer of training contract and issuance of no objection certificate.
- (iii) TO shall not require more than three month notice period for issuance of no objection Certificate.

**(3) Transfers in case TO ceases to exist or ceases to be a TO**

Trainee Students of a TO, which ceases to exist or ceases to be a TO due to any reason, shall enter into fresh contract for the residual period, with another TO within three months from the date of such cessation. Such fresh contracts shall be sent to the Institute for registration and shall be registered by the Institute without any registration fee.

**(4) Transfers when the number of Trainee Students exceeds the entitlement**

If entitlement of a TO falls short of number of its Trainee Students, due to any reason including death, resignation, retirement and suspension of membership of member employee of a TO, it shall immediately inform the Institute of the fact. The Institute may direct the excess Trainee Students, most recent in order of their registration:

- (i) to enter into fresh contract for residual period with any other TO within a given time period for which no registration fee shall be charged by the Institute; or
- (ii) To continue with the same TO for the residual period.

## 10. TERMINATION OF TRAINING CONTRACT

- (1) TO may terminate the training contract if a Trainee Student:
  - (i) is guilty of:
    - (a) misconduct;
    - (b) misbehavior; or
    - (c) breach of any of the provisions of the Training Contract; or
  - (ii) fails to progress satisfactorily as per the criteria established by TO.
- (2) The following procedures shall be followed, if TO is satisfied that a Trainee Student has prima facie committed any act(s) as mentioned in (1) above:
  - (i) TO shall issue a show-cause notice to the Trainee Student under a registered cover or through recorded mode of delivery, on the Trainee Student's address registered with the TO.
  - (ii) If on receipt of response of the Trainee Student, the TO is not satisfied, it shall grant the Trainee Student an opportunity of hearing.
  - (iii) In case the Trainee Student does not respond or does not attend the hearing, he shall be informed about the ex parte proceedings in the matter.
  - (iv) If the TO is satisfied, that the Trainee Student has committed any act(s) as mentioned in (1) above, it may terminate, the training contract of the Trainee Student under intimation to the Institute along with a 'report on termination' specified under these regulations.
  - (v) All correspondence made in this regard by the TO or the Trainee Student shall be through recorded mode of delivery with proof of delivery.
  - (vi) In the event of professional misconduct by a Trainee Student, falling under schedule III of the Ordinance, the TO shall report the matter to the Institute.
  - (vii) A Trainee Student aggrieved by the termination of his training may prefer an appeal to the Council as prescribed under bye-law 107.

## 11. CAREER PROGRESSION, TRAINING AREA, ASSESSMENT ETC

- (1) **Career Progression Plan**
  - (i) The progression of a Trainee Student shall be through the following roles or through any suitable alternate designations with prior intimation to the Institute.
    - (a) Assistant trainee
    - (b) Associate trainee
    - (c) Senior associate trainee
  - (ii) There shall be a Career Progression Plan (CPP) for Trainee Students which may contain the following:
    - (a) Qualification or achievement in examinations of the Institute required by TO for each role, subject to the minimum conditions applicable under the bye-laws and under these regulations;



- (b) Minimum period of training required for each role; and
- (c) Minimum achievement required for each role in the periodic assessment of professional skills and professional values ethics and attitude.
- (iii) Policy on CPP shall be submitted to the Institute within three months from the date of authorization as TO.
- (iv) TO may amend the policy on CPP any time it deems necessary under intimation to the Institute.

**(2) Training areas – Technical Competencies**

TOs should have a formal mechanism to support the development of technical competencies through on-the-job training. It is expected that the TO shall provide the Trainee Students practical exposure in the technical areas given in this regulation. The recommended training areas and allocation of training period to various training areas are as follows:

Training area		Recommendatory Period allocation
(i)	Accounting, financial reporting, internal audit and risk management	Not less than 50%
(ii)	Taxation and corporate law	Remaining
(iii)	Treasury, financial management, supply chain management and information technology	
(iv)	Any other area deemed appropriate by TO (such as marketing, human resource etc.)	Not more than 20%

**(3) Training areas – Professional skills**

The training outcomes relating to each type of professional skill shall be as follows:

**(i) Intellectual**

- (a) Research and evaluate information from a variety of sources and perspectives and draw appropriate conclusions.
  - (b) Identify, evaluate, and recommend solutions to unstructured, multifaceted problems.
  - (c) Apply innovative and critical thinking to solving problems.
- Minimum proficiency under this head shall be of intermediate level.

**(ii) Personal**

- (a) Apply the principles of lifelong learning.
  - (b) Set high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.
  - (c) Evaluate professional commitments and manage time and resources for their achievement.
  - (d) Proactively anticipate challenges and plan potential solutions.
  - (e) Display openness to new ideas and opportunities.
- Minimum proficiency under this head shall be of intermediate level.

(iii) **Interpersonal and communication**

- (a) Promote cooperation and teamwork, working towards organizational goals.
  - (b) Communicate clearly and concisely when presenting, discussing and reporting formal and informal situations, both in writing and orally.
  - (c) Use active listening and effective interviewing techniques.
  - (d) Use negotiation skills to reach appropriate solutions and agreements.
  - (e) Use consultative skills to minimize and resolve conflict in a work environment
  - (f) Display sensitivity to cultural and language differences in all communication.
  - (g) Present ideas and persuade others to provide support and commitment.
- Minimum proficiency under this head shall be of intermediate level.

(iv) **Organizational**

- (a) Undertake work assignments in accordance with established methodologies and within the prescribed deadlines.
  - (b) Review work to determine whether it complies with the organization’s quality standards.
  - (c) Use effective people management skills to motivate and develop others.
  - (d) Use effective delegation skills to deliver work assignments.
  - (e) Demonstrate effective leadership skills.
- Minimum proficiency under this head shall be of intermediate level.

(4) **Training areas – Professional values, ethics and attitude**

Training outcomes relating to professional values, ethics and attitude shall be as follows:

(i) **Professional skepticism and professional judgment**

- (a) Apply a skeptical mindset to critically assess financial information and other data relevant to the role of a professional accountant.
  - (b) Identify and evaluate reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.
- Minimum proficiency under this head shall be of intermediate level.

(ii) **Ethical principles**

- (a) Explain the nature of ethics.
  - (b) Explain the advantages and disadvantages of rules-based and principles-based approaches to ethics.
  - (c) Apply the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior to ethical dilemmas and determine an appropriate resolution.
  - (d) Apply the relevant ethical requirements to professional behavior and compliance with standards
- Minimum proficiency under this head shall be of intermediate level.

**(iii) Commitment to the public interest**

- (a) Explain the role of ethics within the profession and in relation to the concept of social responsibility
- (b) Explain the role of ethics in relation to business and good governance
- (c) Analyze the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest;
- (d) Compare the consequences of unethical behavior to the individual, to the profession, and to society at large.

Minimum proficiency under this head shall be of intermediate level.

*Explanation: Learning outcomes at the intermediate level relate to work situations that are characterized by moderate levels of ambiguity, complexity and uncertainty.*

**(5) Assessment of professional development by TO**

- (i) The assessment of professional skills, values, ethics and attitude shall be carried out by TOs as nearly as practical on the format attached with these regulations.
- (ii) The assessments shall be done within three months before or after completion of each year of training and finally after the completion of training.
- (iii) The Institute may also assess professional skills, values, ethics and attitude through prescribed examinations.
- (iv) Copy of the assessment carried out by TO shall be provided to the student and the same shall be shared with the Institute along with completion certificate.

**(6) Record keeping of training by the Trainee Students**

- (i) Trainee Students shall prepare the record of their training. The same shall be submitted to TO periodically as per policy of the TO.
- (ii) The TO shall specify the records to be maintained by its Trainee Students and the TO itself. The following minimum record shall be prepared by the Trainee Student:
  - (a) **Monthly time sheet duly authenticated as per TO's policy**
    - (i) Date
    - (ii) Nature of assignment based on the major category of technical competency required to perform the assignment
  - (b) **Annual/completion record duly discussed and seen by Technical Supervisors**
    - (i) Major category of technical competency covered during the year/period
    - (ii) Value of experience gained
    - (iii) New exposure or advancement in previous exposure
    - (iv) The level of management with whom communicated and dealt
    - (v) Any ethical issue or dilemma faced
    - (vi) Comments of Technical Supervisor
- (iii) TOs shall be responsible for custody of original record submitted by the Trainee Students.
- (iv) TOs shall be responsible for keeping record of annual assessments as specified in these regulations.
- (v) The annual record shall be submitted to the Institute within three months from the date of completion of respective year of training.

- (7) The Institute shall perform a periodic review of the training record kept by the training organization and Trainee Students.
- (8) **Course on Professional Values, Ethics and Attitude**  
The Institute may offer an online compulsory course on professional values, ethics and attitude. The Institute may consider similar in-house courses offered by TOs as equivalent to the Institute's course.
- (9) **Certificate of Completion**  
On completion of the training every TO shall send a certificate of completion to the Institute within 15 days.

## 12. STATEMENT OF TERMS AND CONDITIONS OF ENGAGEMENT

- (1) TO shall apprise the Trainee Students in respect of policies and procedures set forth by TO.
- (2) Such policies and procedures shall be in documented form duly acknowledged by the Trainee Student and to include the following: :
  - (i) Mentor and allocation of trainee students among the mentors
  - (ii) Leaves and service breaks
  - (iii) Office timing and overtime compensations
  - (iv) Transfers and procedure for issuance of no objection certificate to enable students to join other TO
  - (v) Career Progression
  - (vi) Trainee Student rotation in different areas
  - (vii) Record to be prepared by trainee students
  - (viii) Grievance mechanism

## 13. GRIEVANCE MECHANISM

- (1) TOs shall prepare and implement a policy that deals with grievances of Trainee Students and nominate a person with whom Trainee Students should contact in this regard. Such policy shall be shared with the Trainee Students.
- (2) A copy of the policy shall be filed with the Institute.

## 14. COMPLIANCE AND COUNSELING REVIEW

- (1) The Institute shall have the right to visit the premises of the TO.
- (2) The objectives of the visits shall include:
  - (i) To give and take feedback on training program of the TO;
  - (ii) To assist TO in performing its responsibilities towards training of Trainee Students; and
  - (iii) To review documents necessary to ensure compliance with the Training Regulations.
- (3) The visits of representatives of the Institute shall be undertaken on the date mutually agreed between the Institute and TO.
- (4) A report of the visit shall be made and shared with TO.

**15. NON-COMPLIANCE**

- (1) If default is made in complying with the requirement of these regulations, the Institute may;
  - (i) direct the TO in default to comply with the requirement within a specified period;
  - (ii) suspend authorization of TO in default for a specified period; or
  - (iii) cancel the authorization of TO in default.
- (2) A TO aggrieved by the decision of the Institute may prefer an appeal to the Council.

**16. EFFECTIVE DATE**

This directive shall be effective from May 09, 2016 .

Particulars	Form
<b>Forms</b>	
Application for registration as Training Organization - Details of key management personnel - Details of other training offices - Declaration - Undertaking - Certificate of Approval as Training Organization	U U/A U/B U/C U/D
Statement of particulars for registration as trainee student	Q
Training Contract	R
Deed of amendment of training contract	R/A
Certificate of completion of training	S
No Objection Certificate	T
Report on termination of training contract	ZB
<b>Sample documents for guidance purposes</b>	
Sample daily record	-
Sample annual record	-
Sample assessments of trainee	-
Sample record of satisfactory performance during the probationary period	-
Sample career progression plan	-
<b>Others</b>	
Minimum Stipend	-

**APPLICATION FOR REGISTRATION AS TRAINING ORGANIZATION**

**To:**  
**The Directorate of Education and Training**  
**The Institute of Chartered Accountants of Pakistan**  
**Chartered Accountants Avenue**  
**Karachi – 75600.**

**DETAILS OF PROPOSED TRAINING ORGANIZATION (TO)**

Name \_\_\_\_\_

Registered Address \_\_\_\_\_

City / Town \_\_\_\_\_ Country \_\_\_\_\_

Phone \_\_\_\_\_ Fax No \_\_\_\_\_

E-mail \_\_\_\_\_ Website \_\_\_\_\_

Number of Employees who are members of ICAP \_\_\_\_\_

**DETAILS OF MEMBER RESPONSIBLE FOR STUDENT AFFAIRS (MRS)**

Name: \_\_\_\_\_

Membership No. \_\_\_\_\_ Membership Date: \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail: \_\_\_\_\_

**PROFILE AND BRIEF ON BUSINESS AND OPERATION OF THE ENTITY**

\_\_\_\_\_  
 \_\_\_\_\_

(Please attach Memorandum and Articles of Association and use separate sheets to explain business and operations)

\_\_\_\_\_  
Signature Name: \_\_\_\_\_

On behalf of \_\_\_\_\_ Designation:  
(Please mention the name of Training Organization)

Place: \_\_\_\_\_

Office Seal: \_\_\_\_\_ Date: \_\_\_\_\_

**Note: Please also fill in the annexures A to D**

**FOR INSTITUTE USE ONLY**

File No.	
----------	--

Checked By \_\_\_\_\_ Date \_\_\_\_\_

Application endorsed by Appraisal consultant (if required) \_\_\_\_\_ Date \_\_\_\_\_

Put up to Executives of the Institute \_\_\_\_\_ Date \_\_\_\_\_

Registered / NOT Registered \_\_\_\_\_ Date \_\_\_\_\_



**DETAILS OF KEY MANAGEMENT PERSONNEL**

**Details of Head of key departments**

S #	Name	Member-ship Number (If any)	Member-ship Date	Years of Post Qualification experience as Member		Location of Training Office	Individual student's entitlements
				In Practice	In other Discipline		

**Details of MRSs**

S #	Name of MRS (ACA/FCA)	Member-ship Number	Member-ship date	Years of Post Qualification experience as Member		Location of Training Office	CPD compliance status
				In Practice	Outside practice		

**Details of Employees who are ICAP members**

S #	Name	Membership Number	Membership date	Years of Post Qualification experience	Location of Training Office

**Details of Technical Supervisors who are ICAP members**

S #	Name	Membership Number	Membership date	Years of Post Qualification experience	Location of Training Office	CPD compliance status

**DETAILS OF OTHER TRAINING OFFICES**

Name of Training Organization: \_\_\_\_\_

Address of Training Office: \_\_\_\_\_

City / Town: \_\_\_\_\_ Country: \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail: \_\_\_\_\_

Name of Nominated MRS: \_\_\_\_\_

Membership No: \_\_\_\_\_ Membership Date: \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail: \_\_\_\_\_

\_\_\_\_\_

Number of member of ICAP in training office \_\_\_\_\_

Number of Technical Supervisors in training office \_\_\_\_\_

**Note: Please fill in separate Form for each training office.**

**DECLARATION**

It is hereby declared that \_\_\_\_\_ will abide by all terms and conditions given in approved Training Regulations and Guidelines and other provisions of CA Bye-Laws / Directives / Instructions made by or on behalf of the Council of the Institute from time to time in respect of Students and Training Organization.

*(name of Training Organization)*

It is further undertaken that \_\_\_\_\_ agrees to monitoring visits by the Institute’s consultant / representative and will implement recommendations resulting from such visits and the Member Responsible for Student Affairs shall inform immediately to Institute of Chartered Accountants of Pakistan if the Training Organization falls short of prescribed authorization criteria.

*(name of Training Organization)*

Place: \_\_\_\_\_

Date: \_\_\_\_\_



Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

On behalf of \_\_\_\_\_

*(Please mention the name of Training Organization)*

**Note:** This declaration is to be on the letterhead of the Training Organization without typing Annex C on it.

**UNDERTAKING**

I \_\_\_\_\_ Membership No \_\_\_\_\_ designated as \_\_\_\_\_

**Member Responsible for Student Affairs (MRS)** by \_\_\_\_\_

\_\_\_\_\_ for its Training Office at \_\_\_\_\_

Under bye-law 102 of the CA Bye-laws 1983 do hereby undertake that I have thoroughly read and have the knowledge of the relevant Sections of the Ordinance, Bye-Laws, Training Regulations and Guidelines, Institute’s schemes of education and Directives of the Council. I have the ability to advise, counsel, evaluate, motivate and provide direction to Students; I have the ability to assume the responsibility of ensuring that annual evaluations are made and also assume the responsibility of maintenance of the records strictly as prescribed in the Training Regulations and/or the Guidelines, or otherwise as may be directed by the Committee from time to time. I shall comply with all the future directives and requirements to this effect and have full awareness of the ethics governing the meaning, purview and obligations of an MRS under bye-laws and Training Regulations.

Signature: \_\_\_\_\_

Place: \_\_\_\_\_

Date: \_\_\_\_\_



**Note:**

This undertaking will be given on the letterhead of the Training Organization without typing Annex D on it.

TO-Number.

## **The Institute of Chartered Accountants of Pakistan**

*Established under the Chartered Accountants Ordinance, 1961 (X of 1961)*

This is hereby certified that

**TO name and Office**

is an approved

**Training Organization Outside Practice**

of The Institute of Chartered Accountants of Pakistan

*Director Education, Training and CPD*

*Date:* \_\_\_\_\_



- a. CRN: \_\_\_\_\_
- b. Name of Previous MRS: \_\_\_\_\_
- c. Name of Previous Training Organization: \_\_\_\_\_
- d. Period Served From: \_\_\_\_\_ to \_\_\_\_\_
- e. Details of leave availed
 

Study	Sick	Others	Total
- f. No objection certificate: Yes  No

I declare that the particulars given above are true and correct to the best of my knowledge and belief

Date: 

--	--	--	--	--	--	--	--

Place: \_\_\_\_\_

\_\_\_\_\_  
Signature of Trainee Student

**Endorsement by the MRS**

“I certify that the above particulars furnished by the Trainee Student are correct. He/She has completed the probationary period from \_\_\_\_\_ to \_\_\_\_\_ successfully”.

Date: 

--	--	--	--	--	--	--	--

Place: \_\_\_\_\_

\_\_\_\_\_  
Signature of the MRS

(Seal of Office)

**ATTACHMENTS**

1. Birth certificate and Matriculation Certificate duly attested by MRS/ Member of Training Organization (not required in case of transfer).
2. Attested copy of certificate in respect of educational and professional qualifications with photocopies (not required in case of transfer).
3. Copy of NIC
4. Photograph size 1"x1" to be pasted on this form and one attested (by MRS / Member) copy to be attached.





**TRAINING CONTRACT**  
(Bye-Law 99)

Stamp values  
applicable in each  
province of Pakistan  
at time of execution  
of contract

1. The parties to this Training Contract are:

Name of Student \_\_\_\_\_, referred to herein as the 'Trainee Student'

Address \_\_\_\_\_

\_\_\_\_\_

Name of MRS \_\_\_\_\_, referred to herein as the 'MRS'

Name of Training Organization \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

2. The person named below shall be responsible for the Trainee Student's personal and professional development:

(iii) Name of Technical Supervisor \_\_\_\_\_

(iv) Name of Mentor, if any \_\_\_\_\_

3. This Training Contract governs the Approved Training to be provided to the Trainee Student by an Authorized Training Organization under the Chartered Accountants Bye-Laws, 1983 (as amended from time to time) for the purpose of equipping the Trainee Student with the technical competencies, professional skills and professional values, ethics and attitude necessary for membership of the Institute of Chartered Accountants of Pakistan (*referred to hereafter as "the Institute"*).

4. \*a This Training Contract begins on \_\_\_\_\_ the \_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_ and shall continue until the Trainee Student has completed \_\_\_ years of Approved Training.

- \*b In case of transfer of Trainee Student from one Training Organization to another, the residue training period begins on \_\_\_\_\_ the \_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_ and shall continue until Trainee Student has completed \_\_\_\_\_ year(s) \_\_\_\_\_ month(s) \_\_\_\_\_ day(s) of remaining Approved Training.

\* (In (a) or (b) write NA whichever not applicable.)

5. This Training Contract shall be subject to the provisions of the CA Ordinance, Bye-Laws and the Training Regulations and Guidelines made by the Council of the Institute from time to time, whether or not such provisions and or regulations came into force before or after the commencement of this Training Contract and the parties agree to comply with such provisions in all respects. The parties hereby acknowledge their mutual commitment to provide an effective training on the one hand and a proper contribution to the work of the MRS’s Office on the other.

---

6. The Trainee Student is required to, under this Training Contract, carry out work at his Training Organization and at other locations and other organizations as specified by or under the authority of the MRS or his Training Organization, provided that such service will count as Approved Training within the regulations.

---

7. The Trainee Student agrees that, during the existence of this Training Contract and for any period following its expiry or termination during which eligibility to qualify for admission or to be admitted as an Associate of the Institute continues, the Trainee Student will:

- a. use every effort to further the objects of the Institute;
- b. observe and uphold the ethical and professional standards of the Institute;
- c. provide promptly and willingly all possible information and assistance if asked to do so by the Institute in the pursuance of its duties;
- d. properly carry out the duties lawfully assigned by his Training Organization and diligently pursue the studies required of Trainee Students of the Institute;
- e. maintain the confidential nature of the affairs of the Training Organization and its clients including the names and the nature of the business of such clients;
- f. not practice as a public accountant;
- g. not engage in any other business or occupation; and
- h. regularly maintain records of Approved Training in such form as may be required by the Institute.

---

8. The Training Organization agrees that:

- a. it will provide the Trainee Student with Approved Training to the best of his ability for the purposes set out in clause 3 of this training contract;
- b. it will ensure compliance of all Bye-Laws, Training Regulations, Council Directives and other provisions / instructions issued from time to time by the Institute, in respect of Trainee Student training and administration;
- c. it shall pay the monthly stipend and provides other compensation to its Trainee Students as may be specified by the Institute from time to time during the period of training;
- d. it will monitor the career progression plan and assess the progress annual in recorded form.
- e. provide the name of any person nominated as Technical Supervisor to replace the person named in clause 2 of this Training Contract.

---

9. This Training contract may be terminated:

- a. by mutual agreement between the parties; or
- b. As prescribed in Bye-Law 107 of CA Bye-Laws 1983

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10. This Training Contract may not be altered or amended except as provided for in Bye-Law 100 of CA Bye-Laws 1983.

---

**In witness whereof** this Training Contract has been duly executed this \_\_\_\_\_ the \_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_.



**DEED OF AMENDMENT OF TRAINING CONTRACT**  
**(For Service breaks)**

This deed of amendment of training contract made and executed this \_\_\_\_\_  
(Execution date)

**BETWEEN:**

M/s. \_\_\_\_\_ and \_\_\_\_\_ CRN. \_\_\_\_\_  
(Training Organization) (Trainee Student)

WHEREAS the above parties have signed the training contract dated \_\_\_\_\_

Registered with the Institute on \_\_\_\_\_ for \_\_\_\_\_ years.

from \_\_\_\_\_ to \_\_\_\_\_ under

By-law 99 of Chartered Accountants Bye-Laws, 1983.

AND WHEREAS the both parties decided to amend the training contract to the extent that the completion date has been changed to \_\_\_\_\_ due to service break to be availed from \_\_\_\_\_ to \_\_\_\_\_ ( \_\_\_\_\_ days) by

\_\_\_\_\_ (Trainee Student) in accordance with the directives of the Institute.

NOW THEREFORE this deed of amendment of training contract witnessed to read this as under:-

“The Completion date of the training contract has been revised from \_\_\_\_\_ to \_\_\_\_\_ .  
(Original date) (New date)

“That as amended as aforesaid the other terms and conditions in training contract dated \_\_\_\_\_ shall remain in full force and effect.”

**Witnesses:**

1. \_\_\_\_\_  
Signature of the Trainee Student

2. \_\_\_\_\_  
Signature and Name of MRS  
Name of Training Organization

**ON TRAINING ORGANIZATION'S LETTERHEAD  
(FORM 'S')**

The Director Education and Training  
The Institute of Chartered Accountants of Pakistan

**CERTIFICATE OF COMPLETION OF TRAINING**

I certify that the Trainee Student named below served as Trainee Student under registered training contract with me for the period stated in accordance with the bye-laws, of the Institute of Chartered Accountants of Pakistan and that his/her progress was satisfactory.

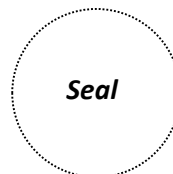
<b>MRS</b>	<b>NAME AND ADDRESS OF TRAINING ORGANIZATION</b>
<b>TRAINEE STUDENT</b>	
Name: _____	
Father's Name : _____	
<b>ICAP CRN</b>	

PERIOD OF TRAINING SERVED (Including approved excess leave period)																	
IN FIGURES	From <table style="display: inline-table; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">D</td> <td style="text-align: center;">M</td> <td colspan="2" style="text-align: center;">Y</td> <td style="text-align: center;">D</td> <td style="text-align: center;">M</td> <td colspan="2" style="text-align: center;">Y</td> </tr> </table>									D	M	Y		D	M	Y	
D	M	Y		D	M	Y											
IN WORDS	From _____ To _____																

LEAVE AVAILABLE			
Normal		Excess *	
Total leave available			
* Excess leave approved by ICAP's letter No. _____ dated _____			

IN CASE OF RE-REGISTRATION UPON TRANSFER FROM ANOTHER TRAINING ORGANIZATION OR MRS	
Previous MRS: _____ TO: _____ CRN No. _____ Period served From: _____ To: _____ Leave available: <input style="width: 50px;" type="text"/> Days	Previous MRS: _____ TO: _____ CRN. _____ Period served From: _____ To: _____ Leave available: <input style="width: 50px;" type="text"/> Days

Date: \_\_\_\_\_  
 Place: \_\_\_\_\_  
 c.c Mr./Ms. \_\_\_\_\_



\_\_\_\_\_  
**Signature of MRS**

\* This Certificate must not be issued until the excess leave has been approved by the Institute, if required, and the Trainee Students has served the period in lieu of excess leave in the training organization.

**NO OBJECTION CERTIFICATE**  
**[Bye-Law 103(1) & (2)]**

I \_\_\_\_\_ of \_\_\_\_\_  
 \_\_\_\_\_ hereby certify that Mr/Ms \_\_\_\_\_ served as a Trainee  
 Student under me in accordance with the Chartered Accountants Bye-Laws, 1983 for a period of \_\_\_\_\_  
 years(s) \_\_\_\_\_ month(s) and \_\_\_\_\_ days(s) from \_\_\_\_\_ to \_\_\_\_\_  
 under CRN \_\_\_\_\_ and that I have no objection in transferring his/her Training Contract to another  
 registered training organization.

I hereby certify that during the above mentioned period the trainee student was given leave for \_\_\_\_\_ days.

I further certify that during the above mentioned period his / her work was satisfactory.

**The trainee student has also served with:**

Name of Training Organization \_\_\_\_\_

Name of MRS \_\_\_\_\_

From \_\_\_\_\_ to \_\_\_\_\_ CRN \_\_\_\_\_

Date \_\_\_\_\_ and availed \_\_\_\_\_ days leave.

Place \_\_\_\_\_ Date \_\_\_\_\_

**Office Seal**

\_\_\_\_\_  
*Signature of MRS*

**REPORT ON TERMINATION OF TRAINING CONTRACT UNDER BYE-LAW 107(I) OF THE CA BYE-LAWS, 1983**

Name of Trainee Student \_\_\_\_\_

CRN \_\_\_\_\_

Period \_\_\_\_\_ Date of \_\_\_\_\_

Commenced on \_\_\_\_\_ Termination \_\_\_\_\_

Name of MRS \_\_\_\_\_

Name of Training \_\_\_\_\_

Organization \_\_\_\_\_

Address of TO \_\_\_\_\_

\_\_\_\_\_

**MRS's Report**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Certified Copies of Following Documents Enclosed:**

- 1. Show Cause Notice
- 2. Trainee Student's Reply to Show Cause Notice
- 3. Hearing Proceedings
- 4. Any other relevant correspondence /papers in respect of the matter

Date \_\_\_\_\_

\_\_\_\_\_

*Signature & Seal of Office*

**For THE INSTITUTE Use Only**

**Actions**

**Date**

- 1. Documents Checked \_\_\_\_\_
  - 2. Termination Recorded \_\_\_\_\_
  - 3. Letter of acknowledgement to MRS and copy to Trainee Student issued \_\_\_\_\_
  - 4. Receipt of Appeal from Trainee Student (if any) \_\_\_\_\_
  - 5. Reference of Appeal to the Council \_\_\_\_\_
  - 6. Decision of the Council \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Date \_\_\_\_\_

\_\_\_\_\_  
*Signature*



**Daily Record**

Trainee Student Name \_\_\_\_\_ CRN \_\_\_\_\_

Trainee Student Role \_\_\_\_\_ (Assistant trainee) \_\_\_\_\_

Technical Supervisor Name \_\_\_\_\_

S.No	Date	Name of the Department	Major category of Technical Competencies (Mark the relevant)				
			Accounting, financial reporting, internal audit and risk management	Taxation and corporate law	Treasury, financial management, supply chain management and information technology	Any other area deemed appropriate by TO (such as marketing, human resource etc.)	Any other appropriate area

\_\_\_\_\_  
*Trainee Student Sign off*

\_\_\_\_\_  
*Technical Supervisor sign off*

**Annual Record**

Trainee Students Name \_\_\_\_\_ CRN \_\_\_\_\_

Trainee Students Role \_\_\_\_\_

Technical Supervisor Name \_\_\_\_\_

From \_\_\_\_\_ to \_\_\_\_\_

S. No	Major category of Technical Competencies	(Mark the relevant)
1	Accounting, financial reporting, internal audit and risk management	
2	Taxation and corporate law	
3	Treasury, financial management, supply chain management and information technology	
4	Any other area deemed appropriate by TO (such as marketing, human resource etc.)	

**Value of the Experience Gained**

*The intention of this section is to have you reflect on where you are today in terms of competency development and what value it has on your professional standing.*

Example: I gained experience in finance department of a large sized textile industry involved in yarn manufacturing.

**New Exposure or Advancement or advancement to previous exposure**

*The intention of this section is to reflect on specific exposure.*

Specific area I was exposed to was accounts payable section, where I learned to deal with the creditors. This role required understanding of managing the credit terms of suppliers with that of the cash flows of the company. I also gained experience of the control procedures in place with regards to payment to creditors.

**The level of management with whom communicated and dealt**

*The intention of this section is to reflect your interaction with higher management.*

Manager Finance level frequently and CFO occasionally.

**Any ethical issue or dilemma faced**

*The intention of this section is to have you reflect on where you are today in terms of competency development and what value it has on your professional standing.*

While meeting with creditors, I met one of my old friends working for one of the creditors. I consulted my senior and found that it does not create noticeable familiarity threat.

**Comments of Technical Supervisor**

*The intention of this section is to have a feedback on your progress and development.*

I reviewed the form and found correct.

**Trainee Student Sign off:**

I confirm that the above information accurately reflects the exposure and level to which I have demonstrated over this annual period of my practical experience and my reflective thought from my work assignments for the said period.

Date \_\_\_\_\_

\_\_\_\_\_ *Signature*

**Technical Supervisor sign off.**

I have met with the CA Student noted above and discussed his/her competency and professional development and progression according to our CA Training Program.

Date \_\_\_\_\_

\_\_\_\_\_ *Signature*

**CAREER PROGRESSION PLAN**

Training Organization \_\_\_\_\_

Trainee Student Name \_\_\_\_\_ CRN \_\_\_\_\_

	Technical Competency	Minimum required Training	Professional Skills				Professional Values, ethics & Attitude			Required score
			Intellectual	personal	Interpersonal and Communication	Organizational	Professional skepticism and professional judgment	Ethical Principles	Commitment to the public interest	
			(Total score from detailed assessment sheets)							
Assistant trainee	-	-								
Associate trainee	Cleared 6 papers of CAF	12 months								>60%
Senior Associate trainee	Cleared 3 papers of CFAP	24 months								>70%

**RECORD OF SATISFACTORY PERFORMANCE DURING THE PROBATIONARY PERIOD**

Name of the Trainee-on-probation \_\_\_\_\_ CRN \_\_\_\_\_

Father's Name \_\_\_\_\_

Name of MRS \_\_\_\_\_

Probationary period start Date \_\_\_\_\_

Probationary period end Date \_\_\_\_\_

Particulars	Total Marks	Marks obtained
Aptitude for CA qualification	35	
Awareness of personal performance	25	
Follows the Instructions	25	
Awareness of ethical principles( Integrity, objectivity and Confidentiality)	15	

**Overall rating**

Unsatisfactory       Satisfactory       Good       Excellent

Trainee on probation Sign off \_\_\_\_\_

MRS sign off \_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

(Note: TO shall establish its own benchmark for rating a trainee on probation)

**ASSESSMENT OF TRAINEE STUDENT**

**ASSISTANT TRAINEE ASSESSMENT**

S. No.	Particulars	Reviewer's Conclusion	
		Total	
<b>1</b>	<b>Intellectual</b>		
	• Is able to gather and assimilate information from various sources and perspectives.	10	
	• Is able to identify unstructured problems.	5	
	• Demonstrates creativity in approaches to work.	5	
		20	
<b>2</b>	<b>Personal</b>		
	• shows awareness of personal performance and demonstrates willingness to improve.	5	
	• Meets the deadlines of given task and appreciates time management.	5	
	• Is able to identify possible challenges in the tasks given.	5	
	• Shows flexibility and does not hesitate to try new approaches.	5	
		20	
<b>3</b>	<b>Interpersonal and Communication</b>		
	• Demonstrates understanding of organizational goals and working together.	5	
	• Presents information in written and numeric form clearly. Depicts awareness of clear communication.	5	
	• Demonstrates listening skills and understands given instructions.	5	
	• Is sensitive to cultural differences while communicating.	5	
		20	
<b>4</b>	<b>Organizational</b>		
	• Performs the given tasks in accordance with the established procedure within the deadline.	5	
	• Understands and follows the quality standards of the organizations.	5	
		10	
<b>5</b>	<b>Professional skepticism and professional judgment</b>		
	• Is able to draw questions on financial information and data.	5	

S. No.	Particulars	Reviewer's Conclusion	
	<ul style="list-style-type: none"> <li>Is able to analyze the responses on the questions raised.</li> </ul>	5	
		10	
6	<b>Ethical Principles</b>		
	<ul style="list-style-type: none"> <li>Comprehends importance of fundamental ethical principles.</li> </ul>	5	
	<ul style="list-style-type: none"> <li>Shows sensitivity on ethical issues.</li> </ul>	5	
		10	
7	<b>Commitment to the public interest</b>		
	<ul style="list-style-type: none"> <li>Is aware of social responsibilities of accountants.</li> </ul>	5	
	<ul style="list-style-type: none"> <li>Comprehends consequences of unethical behavior to the individual, to the profession and to the society at large.</li> </ul>	5	
		10	

Advice to improve areas where points are less than 50%.

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Any other advice.

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\_\_\_\_\_  
Signature of technical supervisor

\_\_\_\_\_  
Signed by Trainee Student

Name \_\_\_\_\_

Name \_\_\_\_\_

Membership No. \_\_\_\_\_

CRN \_\_\_\_\_

**ASSOCIATE TRAINEE ASSESSMENT**

S. No.	Particulars	Reviewer's Conclusion	
		Total	
<b>1</b>	<b>Intellectual</b>		
	<ul style="list-style-type: none"> <li>Analyzes information gathered from various sources and perspectives.</li> </ul>	5	
	<ul style="list-style-type: none"> <li>Analyzes the unstructured problems.</li> </ul>	5	
	<ul style="list-style-type: none"> <li>Considers alternative approaches to getting the job done.</li> </ul>	5	
		15	
<b>2</b>	<b>Personal</b>		
	<ul style="list-style-type: none"> <li>Is eager to develop professional knowledge.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Understands importance of high personal standards and accepts feedback.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Identifies professional commitments and apply skills of effective time and resource management.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Is able to identify possible challenges and solutions in the tasks given.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Displays openness to new ideas and opportunities.</li> </ul>	3	
		15	
<b>3</b>	<b>Interpersonal and Communication</b>		
	<ul style="list-style-type: none"> <li>Works effectively in a team.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Presents information in written and numeric form clearly. Communicate ideas clear through oral communication.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Communicates effectively using listening and questioning skills.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Expresses logic and rational clearly while communicating.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Communicates effectively in teams across all levels and produce results.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Takes difference of opinion positively.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Displays sensitivity to cultural and language differences while communicating.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Actively participates in team by presenting ideas.</li> </ul>	4	
		20	
<b>4</b>	<b>Organizational</b>		
	<ul style="list-style-type: none"> <li>Performs the given tasks in accordance with the established procedure within the deadline.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Follows the organizational quality standards and pays attention to details.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Gels well in teams, displays sensitivity to shortcomings of others and understands importance of encouragement.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Understands importance and ways of delegation of work.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Understands the leadership traits.</li> </ul>	2	
		10	



S. No.	Particulars	Reviewer's Conclusion	
5	<b>Professional skepticism and professional judgment</b>		
	• Applies skeptical mindset to critically assess financial information and data presented.	10	
	• Identifies reasonable alternatives based on all relevant facts and circumstances.	10	
		20	
6	<b>Ethical Principles</b>		
	• Comprehends nature of ethics.	2	
	• Recognizes rules-based and principles-based approaches to ethics.	2	
	• Applies fundamental principles of ethics.	3	
	• Adopts professional behavior in accordance with standards and ethical best practice.	3	
		10	
7	<b>Commitment to the public interest</b>		
	• Comprehends ethics within the profession and in relation to social responsibility.	2	
	• Comprehends the role of ethics in relation to business and good governance.	2	
	• Understands the relationship of ethics, law and regulations and relationship with public interest.	3	
	• Comprehends consequences of unethical behavior to the individual, to the profession and to the society at large.	3	
		10	

Advice to improve areas where points are less than 50%.

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Any other advice.

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Signature of technical supervisor

Signed by Trainee Student

Name \_\_\_\_\_

Name \_\_\_\_\_

Membership No. \_\_\_\_\_

CRN \_\_\_\_\_

**SENIOR ASSOCIATE TRAINEE ASSESSMENT**

S. No.	Particulars	Reviewer's Conclusion	
		Total	
<b>1</b>	<b>Intellectual</b>		
	• Researches information from a variety of sources and perspectives.	3	
	• Identifies solutions to unstructured, multifaceted problems.	3	
	• Applies reasoning, critical analysis, and innovative thinking to solve problems.	4	
		10	
<b>2</b>	<b>Personal</b>		
	• Demonstrates a commitment to learning.	2	
	• Sets high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.	2	
	• Evaluates professional commitments and manages time and resources to achieve professional commitments.	2	
	• Anticipates challenges and plan potential solutions.	2	
	• Displays openness to new ideas and opportunities.	2	
		10	
<b>3</b>	<b>Interpersonal and Communication</b>		
	• Displays cooperation and teamwork when working towards organizational goals.	2	
	• Communicates clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.	2	
	• Uses active listening and effective interviewing techniques.	2	
	• Uses negotiation skills to reach appropriate solutions and agreements.	2	
	• Uses consultative skills to minimize or resolve conflict in a work environment.	2	
	• Displays sensitivity to cultural and language differences in all communication.	2	
	• Presents ideas and persuade others to provide support and commitment.	3	
		15	
<b>4</b>	<b>Organizational</b>		
	• Undertakes work assignments in accordance with established methodologies and within prescribed deadlines.	2	
	• Reviews work to determine whether it complies with the organization's quality standards.	2	
	• Uses effective people management skills to motivate others.	2	
	• Uses effective delegation skills to deliver work assignments.	2	
	• Applies leadership skills to influence others to work towards organizational goals.	2	
		10	

S. No.	Particulars	Reviewer's Conclusion	
5	<b>Professional skepticism and professional judgment</b>		
	• Applies a skeptical mindset to critically assess financial information and other relevant data.	10	
	• Identifies reasonable alternatives to help reaching well-reasoned conclusions based on all relevant facts and circumstances.	10	
		20	
6	<b>Ethical Principles</b>		
	• Comprehends the nature of ethics.	5	
	• Comprehends the advantages and disadvantages of rules-based and principles-based approaches to ethics.	5	
	• Applies fundamental ethical principles to ethical dilemmas.	5	
	• Applies the relevant ethical requirements to professional behavior in compliance with standards.	5	
		20	
7	<b>Commitment to the public interest</b>		
	• Explains the role of ethics within the profession and in relation to the concept of social responsibility.	3	
	• Explains the role of ethics in relation to business and good governance.	4	
	• Analyzes the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.	4	
	• Compares the consequences of unethical behavior to the individual, the profession, and to society at large.	4	
		15	

Advice to improve areas where points are less than 50%.

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Any other advice.

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\_\_\_\_\_  
Signature of technical supervisor

\_\_\_\_\_  
Signed by Trainee Student

Name \_\_\_\_\_

Name \_\_\_\_\_

Membership No. \_\_\_\_\_

CRN \_\_\_\_\_

**SENIOR ASSOCIATE TRAINEE ASSESSMENT UPON COMPLETION OF TRAINING**

S. No.	Particulars	Reviewer's Conclusion	
		Total	
<b>1</b>	<b>Intellectual</b>		
	<ul style="list-style-type: none"> <li>Researches and evaluates information from a variety of sources and perspectives and draw appropriate conclusions.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Identifies, evaluates and recommends solutions to unstructured, multifaceted problems.</li> </ul>	3	
	<ul style="list-style-type: none"> <li>Applies innovative and critical thinking to solving problems.</li> </ul>	4	
		10	
<b>2</b>	<b>Personal</b>		
	<ul style="list-style-type: none"> <li>Applies the principles of lifelong learning.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Sets high personal standards of delivery and monitor personal performance, through feedback from others and through reflection.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Evaluates professional commitments and manage time and resources to achieve professional commitments.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Proactively anticipates challenges and plan potential solutions.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Displays openness to new ideas and opportunities.</li> </ul>	2	
		10	
<b>3</b>	<b>Interpersonal and Communication</b>		
	<ul style="list-style-type: none"> <li>Promotes cooperation and teamwork when working towards organizational goals.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Communicates clearly and concisely when presenting, discussing and reporting in formal and informal situations, both in writing and orally.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Uses active listening and effective interviewing techniques.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Uses negotiation skills to reach appropriate solutions and agreements.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Uses consultative skills to minimize or resolve conflict in a work environment.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Displays sensitivity to cultural and language differences in all communication.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Presents ideas and persuade others to provide support and commitment.</li> </ul>	3	
		15	
<b>4</b>	<b>Organizational</b>		
	<ul style="list-style-type: none"> <li>Undertakes work assignments in accordance with established methodologies and within prescribed deadlines.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Reviews work to determine whether it complies with the organization's quality standards.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Uses effective people management skills to motivate and develop others.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Uses effective delegation skills to deliver work assignments.</li> </ul>	2	
	<ul style="list-style-type: none"> <li>Demonstrates effective leadership skills.</li> </ul>	2	
		10	

S. No.	Particulars	Reviewer's Conclusion	
5	<b>Professional skepticism and professional judgment</b>		
	• Applies a skeptical mindset to critically assess financial information and other relevant data.	10	
	• Identifies reasonable alternatives to reach well-reasoned conclusions based on all relevant facts and circumstances.	10	
		20	
6	<b>Ethical Principles</b>		
	• Comprehends the nature of ethics.	5	
	• Comprehends the advantages and disadvantages of rules-based and principles-based approaches to ethics.	5	
	• Applies fundamental ethical principles to ethical dilemmas and determines an appropriate resolution.	5	
	• Applies the relevant ethical requirements to professional behavior in compliance with standards.	5	
		20	
7	<b>Commitment to the public interest</b>		
	• Explains the role of ethics within the profession and in relation to the concept of social responsibility.	3	
	• Explains the role of ethics in relation to business and good governance.	4	
	• Analyzes the interrelationship of ethics and law, including the relationship between laws, regulations, and the public interest.	4	
	• Compares the consequences of unethical behavior to the individual, the profession, and to society at large.	4	
		15	

Advice to improve areas where points are less than 50%.

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Any other advice.

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Signature of technical supervisor

Signed by Trainee Student

Name \_\_\_\_\_

Name \_\_\_\_\_

Membership No. \_\_\_\_\_

CRN \_\_\_\_\_

**MINIMUM STIPEND RATES EFFECTIVE FROM JULY 1, 2019**

1. CAF Passed or equivalent thereto (Training period 3.5 years)

Criteria	Rupees per month
On Commencement of Training	12,700
On Passing any three papers of CFAP	17,300
On Passing all papers of CFAP/any three papers of CFAP and one MSA or equivalent	23,900
On Passing all the prescribed examinations required to become member of the Institute	47,700

2. Four years Graduate degree holders from Specified Degree Awarding Institutes/ Four years degree holders from any recognized Degree Awarding Institute with major in accounting or finance (Training period 3 years)

Criteria	Rupees per month
On Commencement of Training	15,800
On Passing any three papers of CFAP	17,300
On Passing all papers of CFAP/any three papers of CFAP and one MSA or equivalent	23,900
On Passing all the prescribed examinations required to become member of the Institute	47,700

3. Other Qualifications (Training period 4 years)

Criteria	Rupees per month
On Commencement of Training	11,100
On Passing any three papers of CFAP	17,300
On Passing all papers of CFAP/any three papers of CFAP and one MSA or equivalent	23,900
On Passing all the prescribed examinations required to become member of the Institute	47,700

# CA

**PAKISTAN**



**The Institute of  
Chartered Accountants  
of Pakistan**

Directive 1.04

**SPECIFIED DEGREE AWARDING INSTITUTES (SDAI)  
AND  
RELEVANT DEGREE AWARDING INSTITUTES (RDAI)**







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## **SPECIFIED DEGREE AWARDING INSTITUTES (SDAI) AND RELEVANT DEGREE AWARDING INSTITUTES (RDAI)**

In exercise of the powers conferred by Section 27(2)(c) of the Chartered Accountants Ordinance, 1961 read with bye-laws 2(1)(ma), 123 and 129A of the Chartered Accountants Bye-Laws 1983, the Council of the Institute has introduced the following scheme that lays down the process of recognition of universities or degree awarding institutes (both hereinafter be called DAI) for the purposes of exemptions from ICAP examinations.

### **1. RECOGNITION OF DEGREE AWARDING INSTITUTES**

- 1.1. There shall be two tiers of DAIs, namely:
  - Tier 1 Specified Degree Awarding Institute (SDAI)
  - Tier 2 Relevant Degree Awarding Institute (RDAI)
- 1.2. An SDAI offers Specified Degree that facilitates the candidate who holds such degree to qualify for exemption from all papers of Pre-requisite Competencies (PRC) and Certificate in Accountancy and Finance(CAF) levels subject to the criteria prescribed under Chartered Accountants Bye-laws 1983.
- 1.3. An RDAI offers Relevant Degree that facilitates the candidate who holds such degree to qualify for exemption from all papers of Pre-requisite Competencies (PRC) and Financial Accounting and Reporting-I, Business Law, Managerial and Financial Analysis and Company Law papers of Certificate in Accountancy and Finance(CAF) level subject to the criteria prescribed under Chartered Accountants Bye-laws 1983.
- 1.4. Criteria referred to in paragraph 1.2 and 1.3 provides minimum matching of the contents of syllabus and minimum marks or grades that a student is required to obtain in aggregate and in relevant subjects in order to be eligible for exemptions.
- 1.5. Any DAI desiring to become SDAI shall first be required to gain status of RDAI under this Directive and then achieve prescribed performance level in order to progress to SDAI status.

### **2. DECLARATION OF RDAI STATUS**

- 2.1. Interested DAI shall prepare a proposal for RDAI status. The proposal shall include:
  - a. An expression of interest by the DAI on a prescribed format;
  - b. Detailed profile of the DAI; and
  - c. Necessary details along with required documentation to demonstrate that all the pre-requisites for becoming an RDAI as per this Directive have been complied with.
- 2.2. The proposal shall be submitted by a person authorized by the management of DAI.
- 2.3. \*Upon successful completion of all requirements for recognition a certificate to the effect that the DAI is a Relevant Degree Awarding Institute shall be approved by a forum consisting of the President, Chairman ETCOM and Chairman ExCOM. The certificate will be valid for a period of three years after which a fresh evaluation of eligibility will be conducted.
- 2.4. If an RDAI fails to seek renewal of its status the students registered with RDAI at the time of withdrawal of its status shall on completion of their degree programs be deemed to have gained their degree from RDAI if they opt to pursue CA Pakistan; provided their names and details are forwarded by the RDAI to ICAP within 30 days of withdrawal of its status.

### **3. PRE-REQUISITE TO BECOME RDAI**

Any DAI recognized by the Higher Education Commission may become an RDAI if it:

- a. fulfills the eligibility criteria given in this directive; and
- b. offers Relevant Degree Program (a program mapped with ICAP syllabus of required number of papers).

\*336<sup>th</sup> meeting of the council held on December 18-19, 2020.

## 4. ELIGIBILITY CRITERIA

### 4.1. Degree awarding institutes of Pakistan

The following are the eligibility criteria for a DAI for becoming RDAI:

- a. The DAI should be in W 3 or above category specified by Higher Education Commission (HEC) or equivalent category and successfully perform a self-evaluation as specified in this Directive.
- b. At least two faculty members, fulltime or adjunct, are members of the Institute.
- c. At least one batch of graduates of relevant degree is available in job market and for further studies. In case of a high ranked DAI which intends to introduce relevant degree program, ETCOM may allow issuance of letter of comfort on the basis of a clear expression of interest by the said DAI. However, RDAI status to such DAI may be granted after two years of successful offering of Relevant Degree Program subject to compliance with all pre-requisites specified in this directive.
- d. It can be reasonably demonstrated that the relationship will bring meaningful benefits to the students.
- e. The number of students enrolled in relevant courses or who are reasonably expected to be enrolled is sufficient to justify the resources to be applied in the exercise of evaluation and recognition. It is expected that on average more than 10% of the graduates of relevant degree program will pursue CA Pakistan qualification.
- f. DAI agrees to award credit to students and members of ICAP in its degree programs for the subjects against which syllabus of the Institute matches at least 70% with that of DAI.

### 4.2. Foreign degree awarding institutes including those operating in Pakistan

Top 400 institutions on the basis of ranking of Times Higher Education shall be eligible for RDAI status. A foreign DAI shall not be progressed to SDAI status.

## 5. RELEVANT DEGREE PROGRAM

Relevant Degree program shall be required to fulfill the following conditions:

- a. The program should be a four year degree program or equivalent to 16 year education;
- b. The syllabus contents and learning outcomes of the relevant subjects should match at least 70% with that of the prescribed syllabus and learning outcomes of all papers of Pre-requisite Competencies and Certificate in Accountancy and Finance of the Institute.
- c. The examination papers of relevant subjects of RDAI broadly cover the whole syllabus with appropriate balance.
- d. The degree program collectively should qualify for exemption from the following examinations of Pre-requisite Competencies and Certificate in Accountancy and Finance stages:
  - PRC-1 Business Writing and Comprehension Skills
  - PRC-2 Quantitative Methods
  - PRC-3 Principles of Economics
  - PRC-4 Introduction to Accounting
  - PRC-5 Introduction to Business
  - CAF-1 Financial Accounting and Reporting-I
  - CAF-4 Business Law
  - CAF-6 Managerial and Financial Analysis
  - CAF-7 Company Law

## **6. SPECIFIED DEGREE PROGRAM**

Specified Degree program shall be required to fulfill the following conditions:

- a. The program should be a four year degree program or equivalent to 16 year education;
- b. The syllabus contents and learning outcomes of the relevant subjects should match at least 70% with that of the prescribed syllabus and learning outcomes of the PRC and CAF level papers of Institute and preferably should be of more advanced level.
- c. The degree program collectively should qualify for exemption from the all examinations of Pre-requisite Competencies and Certificate in Accountancy and Finance stages.

## **7. SELF-EVALUATION**

- 7.1. The DAI shall prepare a 'self-evaluation report' along with working papers prepared on the basis of benchmarks set forth in this directive.
- 7.2. The DAI shall be required to obtain (i) 700 points in aggregate and (ii) minimum points in certain pre-requisite areas as specified in the benchmark attached with this directive, to be eligible for recognition as RDAI.
- 7.3. The 'self-evaluation report' shall be accompanied by a Reasonable Assurance Report issued under the 'International Standards on Assurance Engagement' by a practicing chartered accountant firm that carries satisfactory QCR rating.
- 7.4. In case the assurance report contains a modification, the Institute shall take decision after taking into consideration the impact of such modification.

## **8. PROGRESSION**

- 8.1. There shall be the following progression process for national RDAI to advance to SDAI status:
  - a. RDAI is either already in or progresses to W 4 category specified by the Higher Education Commission of Pakistan and it continues to meet the self-evaluation criteria specified in this directive.
  - b. From the date of declaration as RDAI, the performance of students holding Relevant Degree of RDAI shall be monitored by the Institute on the basis of students passing percentage in the remaining subjects of Certificate in Accountancy and Finance examinations of the Institute or appropriate gateway tests of these subjects. The same shall also be shared with RDAI after each attempt.
  - c. The syllabus of RDAI matches more than 70% of all subjects of PRC and CAF levels and preferably most of subjects of CFAP level.
  - d. The RDAI shall submit an annual declaration that it continues to meet the self-evaluation criteria and there is no significant change in the syllabus over the year except for the changes already informed to and agreed by the Institute.
  - e. The examination papers of relevant subjects of RDAI broadly cover the whole syllabus with appropriate balance.
  - f. On average more than 10% of the annual graduates of relevant degree program are pursuing chartered accountancy CA Pakistan qualification.
  - g. The RDAI shall advance from RDAI to SDAI status if the performance of students holding Relevant Degree of RDAI in three consecutive attempts of the above mentioned examinations is ranked 20% above the average result of ICAP specified under the 'Students' Performance Benchmark' set forth in this directive.
  - h. A certificate to the effect that the RDAI has been upgraded to Specified Degree Awarding Institute shall be issued by the Institute.
- 8.2. The certificate of declaration of SDAI shall be for a period of three years.

## 9. RENEWAL OF SDAI STATUS

- 9.1. At the expiry of certificate of declaration of SDAI, the renewal shall be made in the following manner:
- a. From the date of declaration as SDAI, the performance of students holding Specified Degree of SDAI shall be monitored by the Institute on the basis of students passing percentage in Certified Finance and Accounting Professional examinations of the Institute. The same shall also be shared with SDAI after each attempt.
  - b. The Institute shall also monitor the registration of the students in chartered accountancy program, which is expected to exceed on average 10% of the total graduates of relevant programs over the last three years.
  - c. SDAI is W 4 category specified by the Higher Education Commission of Pakistan and it continues to meet the self-evaluation criteria specified in this directive.
  - d. The syllabus of SDAI matches more than 70% of all subjects of PRC and CAF levels and preferably most of subjects of CFAP level.
  - e. The examination papers of relevant subjects of SDAI broadly cover the whole syllabus with appropriate balance.
  - f. The performance of students holding Specified Degree of SDAI in any three consecutive attempts during three years of SDAI status is ranked 10% above average result specified under the 'Students' Performance Benchmark' set forth in this directive.
  - g. The certificate of declaration of SDAI shall be renewed for another three years if the SDAI satisfies the above criteria.
  - h. If SDAI fails to satisfy the above criteria then the SDAI shall be downgraded to RDAI status.
- 9.2. The students registered with SDAI at the time of declaration of downgraded status shall be deemed to have gained their degree from SDAI if they opt to pursue career as chartered accountants after completion of their degree program; provided their names and details are forwarded to ICAP within 30 days of downgrading.

## Benchmark for Self-Evaluation of Relevant Degree Awarding Institute

S. No.	Particulars	Maximum Points	Benchmark	Mandatory Minimum Points
<b>1</b>	<b>Students – institution wide</b>			
1.1	Number of student passed having 16 years of education during last two years.	100	500 students per year passing out	50
1.2	Number of student passing per year having M.Phil./16 + years of education during last two years.	100	250 students per year passing out	50
1.3	Number of Ph.D. Produced	50	5 per year	20
<b>2</b>	<b>Facilities – institution wide</b>			
2.1	Library	50	100,000 books on various subjects	20
2.2	Computer facilities	50	200 systems of good Configuration	25
2.3	Classroom furnished with minimum seating capacity of 40 students (the area on the basis of 10 sq feet per student basis)	50	Each class room 1 Point	25
2.4	Hostel(s)	50	400 students capacity	0
2.5	Auditorium(s)	50	400 students capacity	25
2.6	Sports facility	50	For 500 students	25
2.7	Cafeteria(s)/Mosque(s)	30	Each with 250 persons Capacity	25
<b>3</b>	<b>Faculty – Accounting or Business School, (Accounting, Commerce and Business Administration)</b>			
3.1	Faculty qualification a. PhDs/ Fellow Chartered Accountants b. M Phil/Associate Chartered Accountants and members of professional accountancy bodies recognized by ICAP, c. Faculty having 16 + years of Education d. Faculty having 16 years of Education e. Faculty of Accounting, Auditing and related subjects must be of chartered accountant f. Faculty of Cost Accounting must be of member of recognized professional accountancy body	200	Category (a) 10 points per person Category (b) 8 points per person Category (c) 6 points per person Category (d) 4 points per person  The points are for faculty members employed on full time basis. For part time teachers the points will be 25%only.	100

3.2	Student Teacher Ratio	80	25:1	40
3.3	Involvement of external examiners	100	Per relevant subject (10 points)	50
4	<b>Students – Accounting and Business School, (Accounting, Commerce and Business Administration)</b>			
	Total number of student enrolled	100	400 students	50
5	<b>Research – Institution wide</b>			
5.1	Number of Research Papers Published or presented by the Faculty Members & Students and Number of Journals/ books Published by the DAI	90	10 points for each paper and publication per year	10
5.2	Institution Organized Conferences, Symposium, Seminars/Workshops at National and International Level.	50	10 points for each event per year	20
	<b>TOTAL</b>	1200		

#### Explanatory Notes:

1. Professional bodies recognized by ICAP (Ref. 3.1) are those whose qualified members are offered membership of ICAP without further examinations.
2. Points will be prorated where the points achieved against a benchmark are less than the maximum.

*Example:*

Benchmark: Student Teacher Ratio

Maximum points 80

Scale 25:1

Achieved 4000 enrolled students

100 teachers

Ratio 40:1

Points  $(25/40 * 80)$  50

3. Qualitative evaluations must be supported by a brief description on the subject matter.

\*\*\*\*\*



## SELF-EVALUATION REPORT

AS AT \_\_\_\_\_

NAME OF DAI

S. No.	Particulars	Evaluation based on scale for achievable points	Maximum Points	Points obtained	Mandatory minimum points	Working paper reference
--------	-------------	---	----------------	-----------------	--------------------------	-------------------------

Submitted by \_\_\_\_\_  
*(Signature and name of authorized person)*

Date and place \_\_\_\_\_

### Students' Performance Benchmark Relevant Degree Awarding Institution

#### Data Analysis

Subjects		Attempt 1		Attempt 2		Attempt 3		Total	
		Total	Pass	Total	Pass	Total	Pass	Total	Pass
<b>Performance of Students holding Relevant Degree of RDAI</b>									
CAF 2	CAF-2 Tax Practices								
CAF 3	Cost and Management Accounting								
CAF 5	CAF-7 Financial Accounting and Reporting – II								
CAF 8	Audit and Assurance								
	<b>Total</b>							A	B
<b>All students of ICAP who attempted the above papers</b>									
CAF-2	Tax Practices								
CAF-3	Cost and Management Accounting								
CAF-5	Financial Accounting and Reporting – II								
CAF-8	Audit and Assurance								
	<b>Total</b>							X	Y

## Ranking of Performance of Students holding Relevant Degree of RDAI

### Below average

Performance is below the average performance of all ICAP students in aggregate term. i.e.  $B/A < Y/X$

### Average

Performance is equal to the average performance of all ICAP students in aggregate term. i.e.  $B/A = Y/X$

### 20% Above Average

Performance is 20% greater than the average performance of all ICAP students in aggregate term. i.e.  $(B/A) \div (Y/X) = 1.20$

## Students' Performance Benchmark Specified Degree Awarding Institution

### Data Analysis

	Subjects	Attempt 1		Attempt 2		Attempt 3		Total	
		Total	Pass	Total	Pass	Total	Pass	Total	Pass
	<b>Performance of Students holding Specified Degree of SDAI</b>								
CFAP-1	Advanced Accounting and Financial Reporting								
CFAP -2	Advanced Corporate Laws and Practices								
CFAP -3	Strategy and Performance Measurement								
CFAP -4	Business Finance Decisions								
CFAP -5	Tax Planning and Practices								
CFAP -6	Audit, Assurance and Related Services								
	<b>Total</b>							A	B
	<b>All students of ICAP who attempted the above papers</b>								
CFAP-1	Advanced Accounting and Financial Reporting								
CFAP -2	Advanced Corporate Laws and Practices								
CFAP -3	Strategy and Performance Measurement								
CFAP -4	Business Finance Decisions								
CFAP -5	Tax Planning and Practices								
CFAP -6	Audit, Assurance and Related Services								
	<b>Total</b>							X	Y

## Ranking of Performance of Students holding Specified Degree of SDAI

### **Below average**

Performance is below the average performance of the students in aggregate term. i.e.  $B/A < Y/X$

### **Average**

Performance is equal to the average performance of the students in aggregate term. i.e.  $B/A = Y/X$

### **10% Above Average**

Performance is 20% greater than the average performance of all ICAP students in aggregate term. i.e.  $(B/A) \div (Y/X) = 1.10$

## Students' Registration Benchmark Specified Degree Awarding Institution

### Data Analysis

	Total Enrolled	Passed out	Registered with ICAP
<b>Year 1</b>			
<b>Year 2</b>			
<b>Year 3</b>			
<b>Total</b>			
<b>Average per year</b>	A	B	C

## Required Registration of Students holding Specified Degree of SDAI

$C > 10\%$  of B

\*\*\*\*\*

(260<sup>th</sup> Council meeting held on 8 January, 2015)

**Shoaib Ahmed**  
Acting Secretary/COO





The Institute of  
Chartered Accountants  
of Pakistan

**CA**  
**PAKISTAN**

# Use of designation by students

Directive 1.06

*(Reformatted and Consolidated)*



111-000-422



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ICAP.CA

## USE OF DESIGNATION BY STUDENTS

In exercise of the powers conferred by section 15 of the Chartered Accountants Ordinance, 1961 (CA Ordinance) read with bye-law 108A, 119 and 129A of Chartered Accountants Bye-Laws, 1983 (CA Bye-Laws), to regulate the use of designation by students, upon completing certain stages, the Council directs as follows.

### 1 PROHIBITION ON USE OF DESIGNATIONS

No person other than registered students of the Institute of Chartered Accountants of Pakistan (ICAP/the Institute) who fulfill the criteria specified herein shall use designations prescribed in this Directive.

### 2 CERTIFICATE IN ACCOUNTING AND FINANCE (CAF)

Persons who have completed Certificate in Accounting and Finance (CAF) stage of the Institute under Directive 1.01 (revised 2021) Education and Training Scheme 2021 may use the designation "Certified in Accounting and Finance" or its abbreviation "CAF".

### 3 CERTIFIED FINANCE AND ACCOUNTING PROFESSIONAL (CFAP)

Persons who have completed Certified Finance and Accounting Professional (CFAP) stage of the Institute under Directive 1.01 (revised 2021) Education and Training Scheme 2021 may use the designation of "Certified Finance and Accounting Professional" or its abbreviation "CFAP".

### 4 PROFESSIONAL ACCOUNTING AFFILIATES (AFFILIATE)

(1) Persons who have passed either of the following sets of papers according to the timeline given against each or equivalent examinations and have completed the training under the bye-laws shall be eligible for certification as "Professional Accounting Affiliate" or its short form "Affiliate":

- (i) Advanced Accounting and Financial Reporting along with any two other papers of Modules E and F by August 01, 2016.
- (ii) Advanced Accounting and Financial Reporting, Advanced Taxation and Business Management and Strategy papers of Certified Finance and Accounting Professional examinations effective from August 02, 2016.
- (iii) Advanced Accounting and Financial Reporting, Tax Planning and Practices; and Strategy and Performance Measurement papers of Certified Finance and Accounting Professional examinations effective from March 1, 2022.

(2) Persons who have been allowed to use the designation "Professional Accounting Affiliate" or its short form "Affiliate" shall not be deemed to be or represent themselves as members of ICAP.

#### (3) Terms and Conditions for Professional Accounting Affiliates

- (i) "Affiliate" shall be required to complete at least 20 CPD hours of relevant professional development activity in each year. The CPD hours shall be determined in accordance with the CPD measurement policy specified by the Council for the members of the Institute.

(ii) **Explanation:**

- (a) The professional development activities shall include prescribed PPE and PVEA Courses and attending classes for preparation of the examinations of the Institute duly confirmed by Registered Accounting Education Tutors.
  - (b) Excess balance of CPD hours at the close of a year shall be carried forward to the next year. However, any excess CPD hours earned during a year can only be carried forward for one year.
  - (c) Any shortfall in CPD hours at the close of a year shall have to be made up within the next year.
- (4) A person who fulfills the criteria for affiliation may apply to the Institute on prescribed form along with one-time certification fee of Rs. 2,400.
- (5) An annual fee of Rs. 5,900 shall be payable before July 1 of each year.
- (6) Any person whose Affiliate status is discontinued, may apply for recertification after paying re-certification fee, which shall be equal to one-time certification fee as per clause (4) above and any previously outstanding dues.

## 5 REMOVAL OF DIFFICULTY

In the event of any difficulty in implementing any requirement of this directive, a committee formed by the Council shall have the power to take decision on the matter.

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*(264<sup>th</sup> Council Meeting held on May 8-9 2015)*

*(281<sup>st</sup> Council Meeting held on December 16-17 2016)*

*(352<sup>nd</sup> Council Meeting held on January 14, 2022)*

**MINIMUM PERIOD OF TRAINING  
TO BE SERVED VIS A VIS APPEARANCE  
AT INTERMEDIATE EXAMINATION**

"The Council approved a decision of the Examination Committee that the registered students who had served the minimum period for qualifying to sit in the Intermediate Examination and were allowed to appear in an examination should be allowed to repeat the examination in case of failure even if they discontinue their training without completing the period specified under the bye-laws. This means that a candidate having attained his eligibility once should not be debarred from reappearing in case of discontinued training."

**(77th meeting of Council - August 10, 1985)**



**DECLARATION OF SPECIFIED DEGREE AWARDING INSTITUTE (SDAI) AND  
RELEVANT DEGREE AWARDING INSTITUTE (RDAI)**

In exercise of the powers conferred by Section 27(2)(c) of the Chartered Accountants Ordinance, 1961 read with bye-laws 2(1) (ma), 123 and 129A of the Chartered Accountants Bye-Laws 1983, the Council of the Institute declares the following as its Specified Degree Awarding Institute (SDAI) and Relevant Degree Awarding Institute (RDAI):

<b>S. No</b>	<b>Name</b>	<b>Status</b>
1.	Institute of Business Administration, Karachi	SDAI
2.	Lahore University of Management Sciences, Lahore	SDAI
3.	Institute of Business Management, Karachi	RDAI
4.	National University of Sciences and Technology, Islamabad	RDAI

(241<sup>st</sup> Council meeting held on December 7 and 8, 2012)

(243<sup>rd</sup> Council meeting held on March 8 and 9, 2013)

(333<sup>rd</sup> Council Meeting held on October 9 and 10, 2020)





**The Institute of  
Chartered Accountants  
of Pakistan**

**CA  
PAKISTAN**

# **QUALIFYING ASSESSMENT TEST AND PRE-REQUISITE COMPETENCIES**

*Directive 1.20 (Revised 2024)*

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## QUALIFYING ASSESSMENT TEST AND PRE-REQUISITE COMPETENCIES

In exercise of the powers conferred by section 15 of the Chartered Accountants Ordinance, 1961 (CA Ordinance) read with bye-laws 113 and 129A of Chartered Accountants Bye-Laws, 1983 (CA Bye-Laws) and Directive 1.01, to regulate the education and training of the Institute, the Council approves the following pre-registration tests and assessments for candidates applying for registration as full-time and trainee students.

### 1. PRE-REQUISITE COMPETENCIES (PRC)

#### (1) Enrolment as candidate

- (i) A candidate shall be required to pass PRC, to be eligible for registration as full-time CA student or CA trainee student.
- (ii) A candidate shall be enrolled in PRC, if meets the following conditions:
  - (a) Passed Higher Secondary School Certificate (HSSC) examination with minimum 60% aggregate marks, or passed Qualifying Assessment Test (QAT) if aggregate marks are less than 60% but not less than 50%; or
  - (b) Passed A-Level, three subjects with aggregate minimum 60% equivalence or passed QAT if equivalence is less than 60% but not less than 50%; and
  - (c) Passed any HSSC or A-Level exams in last 36 months from the date of enrolment application or passed QAT if HSSC or A-Level examination is passed earlier than 36 months at the time of enrolment.
  - (d) Completed graduation with 14 years of education with 45% aggregate marks or equivalent grades from a local or foreign university recognized by the competent authority of higher education in Pakistan.
  - (e) Obtained any other equivalent qualification recognized by the Council with minimum aggregate marks or grades as may be specified by the Council.
- (iii) A person whose result for pre-requisite qualification is awaited may be enrolled as assessee but shall not be entitled to appear in assessments without fulfilling the enrolment conditions.

#### (2) Syllabus, mode and standard-setting

- (i) The assessment of PRC shall consist of the following competence areas:
  - PRC-1 Business Writing and Comprehension Skills
  - PRC-2 Quantitative Methods
  - PRC-3 Principles of Economics
  - PRC-4 Introduction to Accounting
  - PRC-5 Introduction to Business
- (ii) The contents and learning outcomes of each area are given in Annexure –A.
- (iii) The changes and revision in the syllabus of PRC shall be done in accordance with the policies specified by the Council in Directive 1.01.
- (iv) PRC assessments shall be computer-based unless circumstances require a different mode,

which shall be specified by the Institute.

- (v) PRC assessments shall be based on a common online testing system to ensure standardization of test outcomes.

**\* (3) Maximum attempts and validity**

- (i) Persons enrolled for PRC assessments shall be required to clear assessment of a minimum of three areas in a maximum of twelve months from the date of the first attempt of PRC.
- (ii) Those who have passed three areas in such twelve months shall have three additional months for clearing assessment of the remaining two areas.

**(4) Conduct of assessment**

- (i) The Institute shall conduct PRC and may also devolve the conduct of PRC to Approved Testing Centres.
- (ii) \*\*PRC assessments shall be offered once in every two months.
- (iii) The conduct of assessment by Approved Testing Centres shall be under the supervision of the Institute and through tools and systems provided or approved by the Institute.

**(5) Result**

The result of PRC shall be announced by the Institute.

- (6) All enrolments under this Directive shall be subject to submission of specified application, payment of specified fees and such other conditions as prescribed by the Institute.

## **2. QUALIFYING ASSESSMENT TEST (QAT)**

**(1) Syllabus, mode and standard-setting**

- (i) The learning outcomes of QAT are attached as Annexure –A.
- (ii) The changes and revisions in the syllabus of QAT shall be done in accordance with the policies specified by the Council in Directive 1.01.
- (iii) QAT shall be a computer-based test unless circumstances require a different mode, which shall be specified by the Institute.
- (iv) The Institute shall have a common online testing system to ensure standardization of test outcome.

**(2) Maximum attempts and validity**

- (i) The candidates shall have a maximum of three attempts to pass QAT.
- (ii) The candidates passing QAT shall enroll for PRC within twelve months from the date of passing QAT.

**(3) Conduct of test**

- (i) The Institute shall conduct QAT and may also devolve the conduct of QAT to Approved Testing Centres.
- (ii) \*\*QAT shall be offered in September, November, December, March and June.

\*369<sup>th</sup> meeting of Council held on April 28, 2023

\*\* 373<sup>rd</sup> Council Meeting held on September 22-23, 2023

- (iii) The conduct of test by Approved Testing Centres shall be under the supervision of the Institute and through tools and systems provided or approved by the Institute.

#### **(4) Result**

The results of QAT shall be announced by the Institute.

### **3. FEES AND REFUNDS**

#### **(1) Fees**

The schedule of the fees shall be specified by the Council from time to time.

#### **(2) Refunds**

The policies of refund applicable under Directive 1.01 shall be the guiding principles for refund decision.

### **4. ASSESSMENT AND TEST**

#### **(1) Time and Place of assessment and test**

- (i) All assessments and tests shall be held at such time and place and in such manner as the Institute may determine from time to time.
- (ii) The time and places shall be notified on the website.

#### **(2) Other Policies**

The following matters shall be dealt with in accordance with the policies specified in Directive 1.01:

- (i) Use of unfair means
- (ii) The passing marks
- (iii) Disclosure of marks
- (iv) Special arrangements

### **5. TRANSITION POLICY**

The transition for assesseees who have not completed the AFC stage before Spring 2022 attempt shall be as follows:

- (i) They shall be given credit in PRC as per the equivalencies specified under Directive 1.01;
- (ii) \*They shall have a maximum period of fifteen months to pass papers of PRC, computed from either three months after the effective date of this scheme or from the date of their first appearance in PRC Assessment, whichever is later.

### **6. REMOVAL OF DIFFICULTY**

As per policies specified in Directive 1.01.

### **7. EFFECTIVE DATE**

This Directive shall become effective from March 1, 2022 subject to gazette notification of the amendments in the corresponding CA Bye-Laws.

\*378<sup>th</sup> meeting of Council held on January 20, 2024

**Annexure – A****SYLLABUS FOR QUALIFYING ASSESSMENT TEST**

<b>Objective</b>
The objective of the QAT is to evaluate basic proficiency in language and numerical reasoning among students aspiring for the CA qualification. It will assist in identifying the propensity for success or failure of students in the CA education.

<b>S. No.</b>	<b>Learning Outcomes</b>
1	To have familiarity with a range of vocabulary for higher learning
2	To be able to construct sentences using correct grammar and identify common errors
3	To demonstrate the ability of speed reading and comprehension.
4	To demonstrate the ability to solve simple and complex numerical problems using basic mathematical knowledge
5	To be able to infer, conclude and decode problems using analytical and logical reasoning that use numbers, patterns, statements or written paragraphs.

<b>Syllabus Ref.</b>	<b>Grid</b>	<b>Weightage</b>
A	English	30-35
B	Mathematics	30-35
C	Analytical Reasoning	30-35
	<b>Total</b>	<b>100</b>

<b>Syllabus Ref.</b>	<b>Learning Outcome</b>
<b>A</b>	<b>English</b>
<b>1</b>	<b>Vocabulary</b>
1.1	Identify the correct meaning of the word and use synonyms or antonyms for the given words in a sentence using “The Oxford 3000- Seventh Edition” or any other list as the Institute may provide at any time before the conduct of Examination.
1.2	Construct meaningful sentences using the prescribed word list.
<b>2</b>	<b>Practical use of grammar</b>
2.1	Use of verb, adverb, noun, pronoun, adjective, preposition, conjunction and interjection in constructing sentences.
2.2	Construct meaningful sentences using commonly used phrases and idioms.
2.3	Use tenses in sentences.
2.4	Use direct speech with the correct punctuations and various reporting verbs.



<b>Syllabus Ref.</b>	<b>Learning Outcome</b>
2.5	Identify the changes incidental to the transformation of direct speech to indirect speech and vice versa.
2.6	Change the active voice to passive voice and passive voice to active voice.
2.7	Use capital letter, question mark, exclamation mark, full stop, semi-colon, comma, colon, apostrophe, quotation marks, brackets, dash, hyphen and ellipsis, where appropriate.
<b>3</b>	<b>Comprehension</b>
3.1	Comprehend a brief write-up and answer questions based on that write-up.
<b>B</b>	<b>Mathematics</b>
<b>1</b>	<b>Numbers</b>
1.1	Use natural numbers, integers, prime numbers, common factors and common multiples, rational and irrational numbers, real numbers; continue given number sequences, recognize patterns within and across different sequences and generalize to simple algebraic statements.
<b>2</b>	<b>Squares</b>
2.1	Calculate squares, square roots, cubes and cube roots of numbers.
<b>3</b>	<b>Decimal fractions and percentages</b>
3.1	Convert decimal fractions into percentages or vice versa.
<b>4</b>	<b>Estimation</b>
4.1	Make estimates of numbers, quantities and lengths.
4.2	Perform approximations to specific numbers of significant figures and decimal places and round off answers to reasonable accuracy in the context of a given problem.
<b>5</b>	<b>Four Operations</b>
5.1	Use the four operations for calculations with whole numbers, decimal fractions including correct ordering of operations and use of brackets.
<b>6</b>	<b>Ratio and Proportion</b>
6.1	Use direct or inverse proportion between two variables to determine a ratio or rate.
6.2	Use a given ratio or rate to solve a problem.
<b>7</b>	<b>Percentages</b>
7.1	Solve a problem to determine the percentage.
7.2	Calculate the percentage for the given data.
7.3	Use of percentage to solve a given problem.
<b>8</b>	<b>Graphs</b>
8.1	Identify correct graphs for the given data.
8.2	Identify correct explanation of the graphical presentation of data.

<b>Syllabus Ref.</b>	<b>Learning Outcome</b>
<b>9</b>	<b>Straight line graphs</b>
9.1	Calculate the gradient of a straight line from the coordinates of two points on it.
9.2	Interpret and obtain the equation of a straight line graph.
9.3	Calculate the length and the coordinates of the midpoint of a line segment from the coordinates of its end points.
<b>10</b>	<b>Solutions of equations and inequalities</b>
10.1	Solve simple linear equations in one unknown.
10.2	Solve fractional equations with numerical and linear algebraic denominators.
10.3	Solve simultaneous linear equations in two unknowns.
10.4	Solve quadratic equations by factorization.
10.5	Solve simple linear inequalities.
<b>11</b>	<b>Graphical representation of inequalities</b>
11.1	Identify correct graphs to represent linear inequalities in one or two variables.
<b>C</b>	<b>Analytical Reasoning</b>
1	Draw conclusions from the given statements.
2	Identify missing numbers from the series.
3	Identify the odd one out from the given problem.
4	Predict the next diagram in a series from the given choices.
5	Use analogies containing numbers or words for the given examples.

## SYLLABUS FOR PRE-REQUISITE COMPETENCIES

Proficiency and testing levels are mentioned against each learning outcome within the syllabus and are explained below:

### Proficiency levels

The proficiency level is the description of the pitch of the performance expected from the person taking action. The levels are as follows:

Level of Proficiency	Description
P1	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Defining, explaining, summarizing, and interpreting the underlying principles and theories of relevant areas of technical competence to complete tasks while working under appropriate supervision;</li> <li>• Performing assigned tasks by using the appropriate professional skills;</li> <li>• Recognizing the importance of professional values, ethics, and attitudes in performing assigned tasks;</li> <li>• Solving simple problems, and referring complex tasks or problems to supervisors or those with specialized expertise; and</li> <li>• Providing information and explaining ideas in a clear manner, using oral and written communications.</li> </ul> <p>Learning outcomes at the foundation level relate to work environments that are characterized by low levels of ambiguity, complexity and uncertainty.</p>
P2	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Independently applying, comparing, and analysing underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions;</li> <li>• Combining technical competence and professional skills to complete work assignments;</li> <li>• Applying professional values, ethics, and attitudes to work assignments; and</li> <li>• Presenting information and explaining ideas in a clear manner, using oral and written communication, to accounting and non-accounting stakeholders.</li> </ul> <p>Learning outcomes at the intermediate level relate to work environments that are characterized by moderate levels of ambiguity, complexity, and uncertainty.</p>
P3	<p>Typically, learning outcomes in a competence area focus on:</p> <ul style="list-style-type: none"> <li>• Selecting and integrating principles and theories from different areas of technical competence to manage and lead projects and work assignments, and to make recommendations appropriate to stakeholder needs;</li> <li>• Integrating technical competence and professional skills to manage and lead projects and work assignments;</li> </ul>

Level of Proficiency	Description
	<ul style="list-style-type: none"><li>• Making judgments on appropriate courses of action drawing on professional values, ethics, and attitudes;</li><li>• Assessing, researching, and resolving complex problems with limited supervision;</li><li>• Anticipating, consulting appropriately, and developing solutions to complex problems and issues; and</li><li>• Consistently presenting and explaining relevant information in a persuasive manner to a wide-range of stakeholders.</li></ul> <p>Learning outcomes at the advanced level relate to work environments that are characterized by high levels of ambiguity, complexity, and uncertainty.</p>

## Testing Levels

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Testing levels are the maximum marks assigned to a topic for examination purposes. The levels are as follows:

Testing Levels	Description
T1	The maximum limit per topic of this level is 8 marks
T2	The maximum limit per topic of this level is 20 marks
T3	The maximum limit per topic of this level is 25 marks

## PRC-1: BUSINESS WRITING AND COMPREHENSION SKILLS

Competency
Draft simple business communications and information.

Syllabus Ref.	Grid	Hours	Weightage
A	Comprehension	15-20	20-30
B	Idea Generation and Arguments	15-20	20-30
C	Business Correspondence	30-35	40-60
	Total	60-75	100

## Key Examinable Technical Competencies

Syllabus Ref.	Learning Outcome	Proficiency Level	Testing Level
<b>A. Comprehension</b>			
1	Apply skimming and scanning reading techniques.	P1	T1
2	Summarize a given text.	P2	T2
3	List down essential points briefly.	P1	T1
<b>B. Idea Generation and Arguments</b>			
1	Apply brainstorming and thinking techniques.	P1	T1
2	Identify facts, assumptions, and opinions.	P1	T2
3	Prepare argument for and against a subject matter.	P2	T2
<b>C. Business Correspondence</b>			
1	Apply specified vocabulary and phrases.	P1	T3
2	Draft business reports, letters, memo and email messages.	P2	T3

## Key Examinable Professional Skills

1	Collect and summarize data and information from a variety of sources and perspectives
2	Apply critical thinking skills to generate ideas
3	Apply intellectual agility
4	Communicate clearly and concisely when reporting in formal and informal situations

## Key Examinable Professional Values, Ethics and Attitude

1	Use critical thinking in determining appropriate course of action.
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## Specific Examinable Knowledge Reference

1	Mind Maps, Fishbone Diagrams and Affinity Diagrams
2	Vocabulary and phrases specified by the Institute

**PRC-2: QUANTITATIVE METHODS**

Competency
Apply quantitative methods relevant to the managerial analysis.

Syllabus Ref.	Grid	Hours	Weightage
A	Basic Mathematics	12-15	10-20
B	Financial Mathematics	15-18	15-25
C	Data Analysis	18-24	20-30
D	Probability and Probability Distribution	10-15	15-20
E	Sampling and Decision making	15-18	20-25
	Total	70-90	100

## Key Examinable Technical Competencies

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>A. Basic Mathematics</b>			
1	Solve two-variable simultaneous equations and quadratic equations.	P1	T1
2	Prepare graphs of linear equation.	P1	T1
3	Apply arithmetic and geometric progression in business problems to calculate monthly instalments, first instalment, total amount paid and total time required for settlement of a loan etc.	P1	T1
4	Formulate a system of linear programming for a business problem.	P1	T1
5	Identify constraints, feasible region, cost minimization or profit maximization functions, no feasible solution using linear programming.	P1	T1
6	Prepare a graphical solution of a linear programming problem.	P1	T1
<b>B. Financial Mathematics</b>			
1	Apply simple and compound interest rate on single or series of amounts to find out interest amount and future values.	P1	T1
2	Apply discount rate on single or series of amounts including perpetuity to find out present values.	P1	T1
3	Calculate the net present value (NPV) of future cash flows.	P1	T1
4	Calculate internal rate of return on a project.	P1	T1
<b>C. Data Analysis</b>			



Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
1	Classify different types of data.	P1	T1
2	Explain data collection through various methods.	P1	T1
3	Summarize and present data.	P1	T1
4	Calculate various measures of central tendency.	P1	T1
5	Identify the characteristics and measures of dispersion.	P1	T1
6	Compute the degree of variation or variability in a distribution.	P1	T1
7	Discuss the index number and its types.	P1	T1
8	Calculate index number and discuss the practical application of index no.	P1	T1
9	Construct deflated or inflated series using index numbers.	P1	T1
10	Explain scatter diagrams their construction, uses and limitations.	P1	T1
11	Explain the concept of regression lines and their uses and limitations.	P1	T1
12	Calculate a linear regression line (line of best fit) using least squares.	P1	T1
13	Calculate and discuss correlation coefficients, rank correlation coefficients and determination.	P1	T1
<b>D. Probability and Probability Distribution</b>			
1	Calculate the total number of possible outcomes and selections from a set of data using counting techniques.	P1	T1
2	Discuss and compute probability using different techniques.	P1	T1
3	Discuss and estimate the probability distribution using different techniques.	P1	T1
<b>E. Sampling and Decision making</b>			
1	Explain the term population, sample, sample distribution and sampling distribution.	P1	T1
2	Explain methods for selecting a sample.	P1	T1
3	Explain a sampling distribution of the sample means.	P1	T1
4	Calculate the mean and standard error of a sampling distribution of sample and proportion means.	P1	T1
5	Apply hypothesis test of proportions and difference between proportions.	P1	T1
6	Apply hypothesis test of population means based on small and large samples.	P1	T1

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
7	Apply hypothesis tests of the difference between two population means.	P1	T1
8	Apply the Chi-square distribution to perform tests of goodness of fit and independence.	P1	T1

#### Key Examinable Professional Skills

1	Evaluate given information through integration and analysis.
2	Apply critical thinking skills to solve problems.
3	Apply intellectual agility.

#### Key Examinable Professional Values, Ethics and Attitude

1	Apply an inquiring mind when collecting and assessing data and information
2	Use critical thinking in determining appropriate course of action.

#### Specific Examinable Knowledge Reference

1	Array, Frequency distribution, Tally, Class boundaries
2	Bar and pie chart
3	Histograms, frequency polygons, Ogives, graphs, stem and leaf displays, Box and whisker plots
4	Mode, median, arithmetic, geometric and harmonic means
5	Standard deviation
6	Variance
7	Laspeyre, Paasche and Fisher index
8	Scatter diagrams
9	mn counting rule and factorials
10	Permutations and combination
11	Addition and multiplication law for probability
12	Conditional and complementary probabilities
13	Binomial, Hyper-Geometric, Poisson, Normal distribution
14	Normal approximation
15	Random, systematic, stratified, multi-stage, cluster and quota sampling

**PRC-3: PRINCIPLES OF ECONOMICS**

Competency
Discuss fundamental principles of economics relevant to the managerial analysis.

Syllabus Ref	Grid	Hours	Weightage
A	Economic Principles and Micro Economics	25-30	30-45
B	Macroeconomics – Basic Concepts	10-15	20-30
C	Economic Policies and Trends	25-30	30-45
	Total	60-75	100

## Key Examinable Technical Competencies

Syllabus Ref	Contents	Proficiency Level	Testing Level
A	Economics Principles and Micro Economics		
1	Define basic economic concepts.	P1	T1
2	Discuss the production possibility frontier and its relevance to the concept of opportunity cost for different economic analysis.	P1	T1
3	Discuss features of planned, mixed, market economy and Islamic economic system.	P1	T1
4	Discuss law of demand.	P1	T1
5	Discuss law of supply.	P1	T1
6	Discuss market equilibrium and its dynamics.	P1	T1
7	Discuss elasticity of demand and supply.	P1	T1
8	Describe basic concepts of firm's costs and revenue.	P1	T1
9	Discuss short and long-run equilibrium of firms under perfect competition, imperfect competition, monopoly, monopolistic competition and oligopoly.	P1	T1
B	Macroeconomics – Basic Concepts		
1	Discuss measurement of national income, nominal and real gross domestic product, gross national product, net national product, personal income and disposable personal income per capita.	P1	T1
2	Explain the functions of consumption, saving and investment.	P1	T1
3	Explain multiplier and accelerator principle.	P1	T1

Syllabus Ref	Contents	Proficiency Level	Testing Level
4	Discuss the different phases of the business cycle and the indicators.	P1	T1
C	Economic Policy and Trends		
1	Discuss nature and objectives of taxation.	P1	T1
2	Discuss kinds and objectives of fiscal policy.	P1	T1
3	State key features of Pakistan's prevailing fiscal budget.	P1	T1
4	Discuss the concepts associated with money and banking.	P1	T1
5	Define the functions of a central bank and the role of the State Bank of Pakistan.	P1	T1
6	Define monetary policy and its objectives.	P1	T1
7	Discuss inflation, its causes, measurement and impact.	P1	T1
8	State unemployment and its types.	P1	T1
9	Discuss interest rate determination and its trends in Pakistan.	P1	T1
10	Discuss the balance of payment and trade and their trends in Pakistan.	P1	T1
11	Discuss exchange rate determination and its impact on the balance of payments of a country.	P1	T1

#### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspective through integration and analysis.
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#### Key Examinable Professional Values, Ethics and Attitude

1	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
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#### Specific Examinable Knowledge Reference

1	Properties of Production possibility frontier
2	Demand and supply
3	Buffer Stock
4	Cobweb theory

5	Accounting and economic profit
6	Keynesian theory of consumption
7	Keynesian two-sector economy
8	Keynesian Aggregate Demand and Supply
9	Output gaps
10	Keynes Multiplier and Accelerator principles
11	Keynesian Liquidity preference Model
12	The Quantity theory of money (Irving Fisher)
13	Short-run and long-run Philips Curve
14	J-Curve (Currency devaluation and balance of payments)

**PRC-4: INTRODUCTION TO ACCOUNTING**

Competency
Account for financial transactions and prepare basic components of financial statements.

Syllabus Ref.	Grid	Hours	Weightage
A	Accounting and Book keeping	30-35	40-60
B	Financial Statements	20-25	25-35
C	Depreciation and Inventories	10-15	15-25
	Total	60-75	100

## Key Examinable Technical Competencies

Syllabus Ref.	Learning Outcomes	Proficiency Level	Testing Level
<b>A. Accounting and Book Keeping</b>			
1	Describe accounting and book keeping.	P1	T1
2	Discuss elements of financial statements.	P1	T1
3	Account for financial transactions in books of prime entry, factory ledger and general ledger.	P1	T1
4	Compute and account for adjustments for bad debts and doubtful, accrued expenses and prepayment.	P1	T1
5	Prepare trial balance.	P1	T1
6	Prepare bank reconciliation statements and make corrections in books of accounts.	P1	T1
<b>B. Financial Statements</b>			
1	Prepare manufacturing account.	P1	T2
2	Prepare a statement of comprehensive income.	P1	T2
3	Prepare a statement of financial position	P1	T2
<b>C. Depreciation and Inventories</b>			
1	Calculate cost and net realizable value of inventory.	P1	T1
2	Compute depreciation.	P1	T1
3	Account for the given amount of depreciation.	P1	T1

**Key Examinable Professional Skills**

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
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**Key Examinable Professional Values, Ethics and Attitude**

1	Apply an inquiring mind when collecting and assessing data and information.
2	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.

**Specific Examinable Knowledge Reference**

1	IAS 1 - Presentation of Financial Statements
2	IAS 2 - Inventories
3	IAS 16 - Property, plant and equipment

**PRC-5 INTRODUCTION TO BUSINESS**

Competency
Discuss fundamentals of business organizations, their operations and finance.

Syllabus Ref	Grid	Hours	Weightage
1	Business Organizations	18-21	25-35
2	Business Operations	24-30	35-50
3	Business Finance	12-15	15-25
4	Business Ethics	06-09	05-10
	Total	60-75	100

## Key Examinable Technical Competencies

Syllabus Ref	Learning Outcomes	Proficiency Level	Testing Level
<b>A. Business Organizations</b>			
1	Discuss business and its long term vision and objectives.	P1	T1
2	Explain the concept of sole proprietorship, partnerships, private, public limited and public sector companies.	P1	T1
3	Describe key features of general laws that govern partnership and limited companies.	P1	T1
4	Explain businesses of exploration, power supply, manufacturing, trading, service rendering, public utility, infrastructure development and construction.	P1	T1
<b>B. Business Operations</b>			
1	Discuss the role of directors, management and shareholders in the governance of a limited company.	P1	T1
2	Explain functional, divisional, matrix and virtual organizational structure.	P1	T1
3	Prepare an operational structure of a manufacturing company.	P1	T1
4	Explain the interest of different stakeholders of a limited company.	P1	T1
5	Discuss the fundamentals of recruitment, development, retention of human resource.	P1	T1



Syllabus Ref	Learning Outcomes	Proficiency Level	Testing Level
6	Elaborate on the level, role and types of information systems in business organizations.	P1	T1
7	Discuss concepts of branding, marketing and selling.	P1	T1
<b>C. Business Finance</b>			
1	Identify various sources of financing available to a limited company along with their advantages and disadvantages.	P1	T1
2	Apply the concept of financial leverage on business scenarios.	P1	T1
<b>D. Business Ethics</b>			
1	Explain the nature of ethics for business decisions.	P1	T1
2	Discuss the importance of core values for a business organization.	P1	T1

#### Key Examinable Professional Skills

1	Evaluate data and information from a variety of sources and perspectives through research, integration, and analysis.
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#### Key Examinable Professional Values, Ethics and Attitude

1	Apply critical thinking when identifying and evaluating alternatives to determine an appropriate course of action.
2	Explain nature of Ethics

#### Specific Examinable Knowledge Reference

1	Companies Act 2017 Section 2 (49, 52, 54)
2	Partnership Act 1932 Section 4



The Institute of  
Chartered Accountants  
of Pakistan

**CA**  
**PAKISTAN**

## **EXEMPTIONS**

*Directive 1.21 (Revised 2023)*

## EXEMPTIONS

In exercise of the powers conferred by section 15 of the Chartered Accountants Ordinance, 1961 (CA Ordinance) read with bye-law 113, 123 and 129A of Chartered Accountants Bye-Laws, 1983 (CA Bye-Laws) and Directive 1.01, to regulate the grant of exemption to candidates with relevant academic, university or professional qualification from member bodies of International Federation of Accountants, the Council approves the following policy.

### 1. APPLICATION

All persons seeking exemption from any examination shall be required to apply to the Institute on the specified exemption form along with the prescribed fee.

### 2. EXEMPTION FROM PRE-REQUISITE COMPETENCIES (PRC)

- (1) Persons holding a degree with 14 years of education from any degree-awarding institution recognized by Higher Education Commission or those holding, Higher Secondary School Certificate (HSSC), A-Levels or other equivalent qualification shall be eligible to claim exemption from the following competence areas after fulfilling the criteria specified in subparagraph (2).

**PRC-1** Business Writing and Comprehension Skills

**PRC-2** Quantitative Methods

**PRC-3** Principles of Economics

**PRC-4** Introduction to Accounting

**PRC-5** Introduction to Business

- (2) Criteria for exemption shall be as follows:

- (i) For graduates with 14 years of education:

- (a) Minimum 60% marks or equivalent grades in aggregate;
- (b) Minimum 75% marks or equivalent grades in the relevant subject(s) from which the person is seeking exemption; and
- (c) The syllabus contents and learning outcomes of the subject match at least 70% with that of the prescribed syllabus and learning outcomes of the Institute or are of a more advanced level.

- (ii) For persons with HSSC or other equivalent qualification:

- (a) Minimum 70% marks or equivalent grades in aggregate;
- (b) Minimum 75% marks or equivalent grades in relevant subject(s) from which the person is seeking exemption; and
- (c) The syllabus contents and learning outcomes of the subject match at least 70% with that of the prescribed syllabus and learning outcomes of the Institute or are of a more advanced level.

- (iii) For persons with A-Levels:

- (a) Minimum two B Grades;
- (b) Minimum B Grade in the subject(s) from which the person is seeking exemption; and
- (c) The syllabus contents and learning outcomes of the subject match at least 70% with that of the prescribed syllabus and learning outcomes of the Institute or are of more advanced level.

- (iv) Persons with HSSC, A-Levels or other equivalent qualification who have enrolled in PRC after passing QAT shall not be eligible to obtain any exemption.

### **3. EXEMPTION FROM CERTIFICATE IN ACCOUNTING AND FINANCE (CAF)**

#### **(1) Graduates with 16 year of education**

**Exemption from CAF, subject to the criteria specified in (2) below, shall be available as follows:**

- (i) Persons who hold a minimum of a four-year relevant degree from 'Specified Degree Awarding Institutes (SDAI)' shall be eligible to claim exemption from all papers of CAF.
- (ii) Persons who hold a minimum of a four-year relevant degree from 'Relevant Degree Awarding Institute (RDAI)' shall be eligible to claim exemption from the following CAF papers:
- CAF-1** Financial Accounting and Reporting-I  
**CAF-4** Business Law  
**CAF-6** Managerial and Financial Analysis  
**CAF-7** Company Law
- (iii) Persons who hold a minimum of a four-year relevant degree from any other local or foreign institution recognized by the Higher Education Commission (HEC), shall be eligible to claim exemption from the following CAF papers.
- CAF-4** Business Law  
**CAF-6** Managerial and Financial Analysis  
**CAF-7** Company Law
- (iv) \*Persons who hold a degree with a minimum of 16 years of education from a foreign degree awarding institute and having equivalence issued by HEC shall be eligible to claim exemption from all papers of CAF. Provided the university was included in the accredited list of Association to Advanced Collegiate Schools of Business (AACSB) at the time of issuance of degree.
- (v) Persons who hold a degree with a minimum of 16 year of education from any local degree awarding institute having accreditation from the National Business Education Accreditation Council established by HEC at the time of issuance of the degree shall be eligible to claim exemption from the following CAF papers:
- CAF-1** Financial Accounting and Reporting-I  
**CAF-4** Business Law  
**CAF-6** Managerial and Financial Analysis  
**CAF-7** Company Law
- Provided that such candidates shall not be eligible to claim exemptions from the papers of CAF stage, namely:
- CAF-2** Tax Practices  
**CAF-3** Cost and Management Accounting  
**CAF-5** Financial Accounting and Reporting-II  
**CAF-8** Audit and Assurance

\* 373rd Council Meeting held on September 22-23, 2023

- (2) Criteria for exemption from CAF shall be as follows:**
- (i) the syllabus contents and learning outcomes of the subject match at least 70% with that of the prescribed syllabus and learning outcomes of the Institute or are of more advanced level; and
  - (ii) person has secured a minimum of 60% marks or equivalent grades in the subject from which exemption is sought.
- (3) Professional qualification**
- (i) Persons who have passed all examinations of the professional accountancy bodies specified below shall be eligible to claim exemption from papers of CAF mentioned under the name of each such body:
    - (a) Institute of Cost and Management Accountants of Pakistan (ICMAP)**  
All papers up to CAF stage
    - (b) Pakistan Institute of Public Finance Accountants (PIPFA)**  
CAF-4 Business Law  
CAF-7 Company Law
    - (c) Association of Chartered Certified Accountants (ACCA) of UK**  
CAF-1 Financial Accounting and Reporting-I  
CAF-3 Cost and Management Accounting  
CAF-5 Financial Accounting and Reporting-II  
CAF-8 Audit and Assurance  
Provided that the exemption from 'CAF-8 Audit and Assurance' shall only be granted to persons who have passed AAA - Advanced Audit and Assurance.
    - (d) Chartered Institute of Management Accountants (CIMA) of UK**  
CAF-1 Financial Accounting and Reporting-I  
CAF-3 Cost and Management Accounting  
CAF-4 Business Law  
CAF-5 Financial Accounting and Reporting-II  
CAF-6 Managerial and Financial Analysis  
CAF-7 Company Law
    - (e) Other relevant professional bodies**  
Exemptions shall be granted on basis of qualification on a case-to-case basis by the Council.
  - (ii) A person shall be eligible to claim exemption on the basis of different qualifications that the person holds.
  - (iii) The reference to passing of the examination in this paragraph means attempting and passing the examinations of the relevant qualification and does not include obtaining an exemption from such examinations. Provided that subject to the conditions imposed by the Council, this clause shall not apply to candidates who have gained the qualification of the Institute of Cost and Management Accountants of Pakistan (ICMAP) and Pakistan Institute of Public Finance

Accountants (PIPFA) after obtaining some exemptions from examinations of the said professional bodies.

#### **4. EXEMPTION FROM HANDS-ON COURSES (HOC)**

- (1) \*Exemption from Hands-on Courses, completed and passed from any recognized degree awarding institute or university, shall be granted subject to the following condition:
- (i) Criteria for exemption from HOC shall be as follows:
    - (a) \*the syllabus contents and learning outcomes of the course match at least 70% with that of the prescribed syllabus of the Institute;
    - (b) person has secured a minimum of 60% marks or equivalent grades in the course; and
  - (ii) for courses on technology, a person has passed the course no earlier than three years from the date of application for exemption.
  - (iii)\*Persons who hold a minimum of a four-year degree from any local or foreign institution recognized by the Higher Education Commission (HEC), shall be eligible to claim exemption from Hands on Course on MS Office.
  - (iv) Additionally, the following shall be exempt from PPE:
    - (a) A person who has commenced training on or before the effective date of this directive;
    - (b) Four-year degree holders from any recognized university;
    - (c) Candidates holding equivalence of four-year degree issued by HEC on the basis of their professional qualification;
    - (d) Candidates who have completed PCSC – 1; or
    - (e) Candidate who are enrolled in PCSC under Education and Training Scheme 2013 and successfully complete the same not later than February 28, 2022.

**5.** No person shall be eligible to claim exemptions from papers of CFAP and MSA.

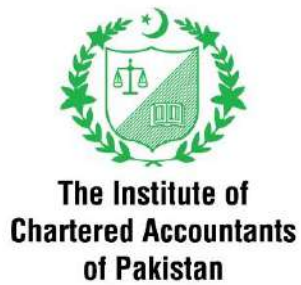
#### **6. EFFECTIVE DATE**

This Directive shall become effective from March 1, 2022 subject to gazette notification of the amendments in the corresponding CA Bye-Laws.

\* 373rd Council Meeting held on September 22-23, 2023







**CA**  
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**CRITERIA FOR APPROVED COURSE PROVIDERS  
(ACP) FOR HANDS-ON COURSES  
ON MS OFFICE**

*Directive 1.23*



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## **CRITERIA FOR APPROVED COURSE PROVIDERS (ACP) FOR HANDS-ON COURSE ON MS OFFICE**

In exercise of the powers conferred by Section 15 of the Chartered Accountants Ordinance, 1961 read with Bye Law 110 of the Chartered Accountants Bye Laws 1983, the Council of the Institute approved the following scheme to approve the Course Providers for Hands-on Courses, namely, 'MS Office' included in the Education Scheme 2021.

### **1. APPROVAL MECHANISM**

**(1)** This directive provides two modes of registration of Course Providers:

- (i) Application based registration
- (ii) Institute's unilateral registration

**(2) Application based approval**

- (i) Applicants shall submit an application to the Institute in a prescribed format along with the prescribed fee and necessary documents to demonstrate that the applicant fulfills the requirements of approval.
- (ii) The Secretary shall issue the recognition letter/certificate to the concerned course provider and communicate the same to the students/RAETs.

**(3) Institute's unilateral approval**

- (i) The Directorate of Education and Training may identify and recommend to the Secretary for recognition of any reputable local/foreign institution offering any of the courses online and in person covering the syllabus of the course.
- (ii) The Secretary shall issue the recognition letter to the concerned course provider and communicate the same to the students/RAETs.

### **2. REGISTER OF APPROVED COURSE PROVIDERS**

- (1) On issuance of the certificate or unilateral recognition, the names of such course providers shall be entered into a register maintained for the purpose.
- (2) The name of course provider may be removed from the register by the Secretary on the recommendation of Directorate of Education and Training through a formal report and, wherever practically possible, after giving an opportunity to being heard to the concerned course provider.

### **3. REQUIREMENTS FOR APPROVAL**

**(1) Eligibility**

The applicant should be a:

- (i) Registered Accounting Education Tutor of the Institute; or
- (ii) Degree awarding institution recognized by HEC; or
- (iii) Certificate awarding institution, registered with a technical board approved by the provincial or federal government, with three or more years' experience of providing training of the same or similar hands-on courses.

**(2) Mode of Learning**

- (i) The mode of learning could be:
  - (a) In person; and/or
  - (b) E-Learning
    - Virtual Instructor Led Training (VILT)
    - Self-Paced
- (ii) The applicant of in-person Hand-on Courses on MS office shall have:
  - (a) at a minimum one lab with necessary training staff, equipment and technology with at least twenty-five computers and internet connectivity.
  - (b) authorized and licensed application/ software and network settings that satisfies requirements of course outcomes and competencies.
- (iii) The applicant of e-learning mode shall have both online and offline help.

**(3) Faculty**

Faculty shall have the following profile:

- (i) minimum 16 years of education in any discipline; and
- (ii) minimum three years of teaching experience with relevant certifications from a reputable institute in the subject/field.
- (iii) The faculty with other qualification may be engaged with the specific approval by ETCOM.

**(4) Class**

Class size shall not be more than thirty students.

**(5) Contact hours**

- (i) Duration for classroom learning shall be for maximum eight hours per week; and
- (ii) The overall course duration shall not be completed in less than three months.

**4. COURSE CERTIFICATION****(1) Course Assessment**

- (i) The applicant shall have defined policy for evaluation Criteria or Basis of grading.
- (ii) The Institute may prescribe reporting structure and requirements for maintaining student record, if deemed necessary.

**(2) The ACP shall issue course completion and passing certificate on the format specified by the Institute only to those candidates who:**

- (i) have submitted their periodic feedback of the course to the ACP,
- (ii) have achieved minimum of 70% grades in the summative assessment,
- (iii) have maintained a minimum of 90% attendance in the class,

- (iv) in case of self-paced e-learning mode, have fulfilled at least 90% of the course requirements, and
- (v) have successfully completed course assessment requirement.

## **5. OVERSIGHT BY THE INSTITUTE**

- (1) The Representative(s) of the Institute shall carry out planned reviews at each ACP, as and when required.
- (2) The visit shall be for the purpose of assuring whether ACP is in compliance with the requirements of the courses. The representative(s) shall be allowed to meet the students attending the courses and to attend any part of the course, if needed.
- (3) For virtual instructor led training (VILT) ACP should provide class login to the representative(s) of the institute.
- (4) After each visit or virtual class participation a draft Visit Report shall be shared with the ACP and ACP shall have 15 days to comment and respond. A final report shall be submitted to the Chairman ETCOM through Head of Education and Training.
- (5) The Directorate will share, for information, the details of all ACPs approved with the Education and Training Committee in its next immediate meeting.

## **6. WITHDRAWAL OF APPROVAL**

- (1) In case of:
  - (i) non-payment of dues under this Directive; or
  - (ii) adverse Visit Report,the Institute may take the actions as per paragraph 6(2):
- (2) The actions against the defaulting ACP may be as follows:
  - (i) withdraw the approval of ACP in default;
  - (ii) suspend approval for a specified period and direct the ACP in default to comply with the requirement within a specified period;
- (3) In case of withdrawal and/or suspension, further intake for HOCs shall not be allowed.

## **7. APPEAL**

- (1) An applicant or an ACP aggrieved by the decision of Institute may prefer an appeal to the Council, within 30 days of receiving the decision.
- (2) The Council may, as the case be, after considering the facts, revert, amend or uphold the previous decision.
- (3) The ACP shall continue offering the Course till the decision of the Council on its appeal is communicated to ACP.

**8. FEE AND OTHER DUES**

- (1) The following fee shall be charged:

<b>Particular</b>	<b>Rupees</b>
Approval fee shall be paid along with the application	75,000
Annual fee in respect of each calendar year shall be payable in advance by January 31 of that calendar year.	50,000

- (2) The proprietor and partners/directors of an ACP shall be jointly and severally responsible for the payment of fee and other dues within the time specified under this scheme.

**9. EFFECTIVE DATE**

This notification shall become effective on **June 15, 2022**.





**CA**  
**PAKISTAN**

**CRITERIA FOR APPROVED COURSE PROVIDERS  
(ACP) FOR HANDS-ON COURSES  
ON PRESENTATION AND PERSONAL  
EFFECTIVENESS**

*Directive 1.24*

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## **CRITERIA FOR APPROVED COURSE PROVIDERS (ACP) FOR HANDS-ON COURSES ON PRESENTATION AND PERSONAL EFFECTIVENESS**

In exercise of the powers conferred by Section 15 of the Chartered Accountants Ordinance, 1961 read with Bye Law 110 of the Chartered Accountants Bye Laws 1983, the Council of the Institute has approved the following scheme to approve the Course Providers for Hands-on Courses, namely, Presentation and Personal Effectiveness included in the Education Scheme of the Institute:

### **1. APPLICATION FOR APPROVAL**

#### **(1) Application based approval**

- (i) Applicants that intend to be recognized as Approved Course Providers of the Hands-on Courses shall submit an application in a prescribed format along with the prescribed fee.
- (ii) The applicant shall submit details along with the necessary documents to demonstrate that it fulfills the requirements of approval.

### **2. REQUIREMENTS FOR APPROVAL**

#### **(1) Eligibility**

The applicant should be a:

- (i) Registered Accounting Education Tutor of the Institute; or
- (ii) Degree awarding institution recognized by HEC; or
- (iii) Certificate awarding institution with three or more years' experience of providing training of the same or similar hands-on courses. Institution with lesser experience may also apply but their case will be subject to specific approval by ETCOM.

#### **(2) Facilities and faculty**

- (i) The mode of learning shall be in person, except where allowed, as specified in the syllabi.
- (ii) The applicant shall have:
  - (a) class size not more than thirty students.
  - (b) appropriate infrastructure
- (iii) Faculty shall have the following profile:
  - (a) Minimum 16 years of education in any discipline; and
  - (b) Minimum three years of teaching experience with relevant certifications from a reputable institute in the subject/field.
  - (c) The faculty with other qualification may be engaged with the specific approval by ETCOM.

#### **(3) Academic liaison:**

An applicant shall nominate a Course or Academic Coordinator for liaison with the Institute.

#### **(4) Course planning and other requirements**

##### **Course planning**

The course planning enables the faculty to efficiently utilize the allocated time for desired learning outcome and it also provides assurance to student and the Institute about the comprehensive coverage of the course. Such planning shall include:

- (i) Documented lecture outlines including activities planned for each lecture.
- (ii) Documented policies for conduct of course including schedule announcement, transfer, refund and other relevant concerns.
- (iii) Reading material and other learning resources relevant to planned lectures available and accessible to students.

##### **Other requirements**

- (i) Student-teacher contact must not be:
  - (a) more than eight hours per week.
  - (b) spread out on less than 3 months.
- (ii) The ACP shall ensure that each student makes presentations of at least 20 minutes during the course, each presentation not exceeding 5 minutes and share the recordings with the Institute on the written request from the Institute.

### **3. PROCESS OF APPROVAL**

- (1) The application with required working papers as specified shall be accompanied by a 'Reasonable Assurance Report issued under the 'International Standards on Assurance Engagement' by a practicing chartered accountant firm that carries satisfactory QCR rating.
- (2) In case the assurance report contains a modification, the Institute shall take decision after taking into consideration the impact of such modification.
- (3) Upon successful completion of all the requirements for approval to the satisfaction of the directorate, a certificate to the effect that the applicant is an ACP shall be issued by the Secretary of the Institute.
- (4) In case the application is rejected, the Directorate shall convey the reasons for rejection in writing to the applicant.
- (5) The applicant may:
  - (i) re-apply within three months after removing the deficiencies for which no application fee will be required to be paid; or
  - (ii) prefer an appeal in accordance with the process specified in this notification in Clause 7.

### **4. COURSE CERTIFICATION**

#### **Course Assessment**

- (1) The applicant shall have defined policy for evaluation Criteria or Basis of grading.
- (2) The Institute shall prescribe reporting structure and requirements for maintaining student record, if deemed necessary.

- (3) The ACP shall issue course completion and passing certificate on the format specified by the Institute only to those candidates who:
  - (i) have submitted their periodic feedback of the course to the ACP,
  - (ii) have fulfilled minimum of 50% grades in the summative assessment,
  - (iii) have maintained a minimum of 90% attendance in the class
  - (iv) have successfully completed course assessment requirement.

## **5. OVERSIGHT BY THE INSTITUTE**

- (1) The Representative(s) of the Institute shall carry out surprise or planned reviews at each ACP, as and when required.
- (2) To help schedule these reviews the ACP shall display the time table of courses on its website/facebook and share the list of registered students, if practically possible, one week before the commencement of each session with the Institute.
- (3) The visit shall be for the purpose of assuring whether ACP is in compliance with the requirements of the courses. The representative(s) shall be allowed to meet the students attending the courses and to attend any part of the course, if needed.
- (4) After each visit a draft Visit Report shall be shared with the ACP and ACP shall have 15 days to comment and respond. A final report shall be submitted to the Chairman ETCOM through Head of Education and Training.
- (5) The Directorate will share, for information, the details of all ACPs approved with the Education and Training Committee in its next immediate meeting.

## **6. WITHDRAWAL OF APPROVAL**

- (1) In case of:
  - (i) non-payment of dues under this Directive; or
  - (ii) adverse Visit Report,the Institute may take the actions as per paragraph 6(2):
- (2) The actions against the defaulting ACP may be as follows:
  - (i) withdraw the approval of ACP in default;
  - (ii) suspend approval for a specified period and direct the ACP in default to comply with the requirement within a specified period;
  - (iii) In case of withdrawal and/or suspension, further intake for HOCs shall not be allowed.

## **7. APPEAL**

- (1) An applicant or an ACP aggrieved by the decision of Institute may prefer an appeal to the Council, within 30 days of receiving the decision.
- (2) The Council may, as the case be, after considering the facts, revert, amend or uphold the previous decision.

- (3) The ACP shall continue offering the Course till the decision of the Council on its appeal is communicated to ACP.

#### **8. FEE AND OTHER DUES**

- (1) The following fee shall be charged:

<b>Particular</b>	<b>Rupees</b>
Approval fee shall be paid along with the application	75,000
Annual fee in respect of each calendar year shall be payable in advance by January 31 of that calendar year.	50,000

- (2) The proprietor and partners/directors of an ACP shall be jointly and severally responsible for the payment of fee and other dues within the time specified under this scheme.

#### **9. EFFECTIVE DATE**

This notification shall become effective on **June 15, 2022**.





**The Institute of  
Chartered Accountants  
of Pakistan**

**CA  
PAKISTAN**

**CRITERIA FOR APPROVED COURSE PROVIDERS (ACP)  
FOR HANDS-ON COURSES  
ON DATA MANAGEMENT AND ANALYTICS AND  
FINTECH**

*Directive 1.25*

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## **CRITERIA FOR APPROVED COURSE PROVIDERS (ACP) FOR HANDS-ON COURSES ON “DATA MANAGEMENT AND ANALYTICS” AND “FINTECH”**

In exercise of the powers conferred by Section 15 of the Chartered Accountants Ordinance, 1961 read with Bye Law 110 of the Chartered Accountants Bye Laws 1983, the Council of the Institute has approved the following scheme for the recognition of independent “Approved Course Providers” of Hands-on Course namely, “Data Management and Analytics” and “Fintech” included in the Education Scheme 2021.

This directive provides two modes of registration of Course Providers:

- 1) Application based registration
- 2) Institute’s unilateral registration

### **1. Application based approval**

- (1) Applicants shall submit an application in a prescribed format along with the prescribed fee.
- (2) The application shall include necessary documents to demonstrate that the applicant fulfils the requirements of approval.
- (3) The Secretary shall issue the recognition letter/certificate to the concerned course provider and communicate the same to the students/RAETs.

### **2. Institute’s unilateral approval**

- (1) The Directorate of Education and Training may identify and recommend to the Secretary for recognition of any reputable local/foreign institution offering any of the courses online and in person covering the syllabus of the Courses.
- (2) The Directorate of Education and Training and Secretary shall follow the requirements and other rules given in this Directive as guiding principles while granting such unilateral recognition.
- (3) The Secretary shall issue the recognition letter to the concerned course provider and communicate the same to the students/RAETs.

### **3. Register of Approved Course Providers**

- (1) On issuance of the certificate or unilateral recognition, the names of such course providers shall be entered into a register maintained for the purpose.
- (2) The name of course provider may be removed from the register by the Secretary on the recommendation of Directorate of Education and Training through a formal report and after giving an opportunity to being heard to the concerned course provider.

## **4. REQUIREMENTS FOR APPROVAL**

### **(1) Eligibility**

The applicant should be a:

- (i) Registered Accounting Education Tutor of the Institute; or
- (ii) Degree awarding institution recognized by HEC; or
- (iii) Certificate awarding institution with three or more years’ experience of providing training of the same or similar hands-on courses. Institution with lesser experience may also apply but their case will be subject to specific approval by ETCOM.



**(2) Mode of learning**

- (i) The mode of learning could be:
  - (a) In person; and/or
  - (b) E-Learning
    - Virtual Instructor Led Training (VILT)
    - Self-Paced

**(3) Facilities and faculty**

- (i) The applicant of in-person Hand-on Courses on technology shall have:
  - (a) a minimum one lab with necessary training staff, equipment and technology with at least twenty-five computers and internet connectivity.
  - (b) authorized and licensed application/ software and network settings that satisfies requirements of course outcomes and competencies.
- (ii) The applicant of Virtual Instructor Led Training (VILT) shall have:
  - (a) authorized and licensed application/software and network settings
  - (b) appropriate technological infrastructure, including classroom meetings
  - (c) both online and offline help
- (iii) The applicant of Self-Paced mode shall have:
  - (a) authorized and licensed application/software and network settings
  - (b) appropriate Learning Management System
  - (c) both online and offline help

**(4) Class and Faculty****Faculty**

- (i) Faculty shall have the following profile:
  - (a) minimum 16 years of education in any discipline; and
  - (b) minimum three years of teaching experience with relevant certifications from a reputable institute in the subject/field.
  - (c) The faculty with other qualification may be engaged with the specific approval by ETCOM.

**Class**

- (i) Class size shall not be more than thirty students.

**(5) Academic liaison**

An applicant shall nominate a Course or Academic Coordinator for liaison with the Institute.

**(6) Course planning and Documented policies**

The course planning enables the faculty to efficiently utilize the allocated time for desired learning outcome and it also provides assurance to trainee and the Institute about the comprehensive coverage of the course. Such course planning shall include:

- (i) Documented lecture outlines including activities planned for each lecture distributed weekly.

- (ii) Reading material and other learning resources relevant to planned lectures available and accessible to students.
- (iii) Documented policies for conduct of course including schedule announcement, transfer, refund and other relevant concerns.
- (iv) Student-teacher contact must not be:
  - more than eight hours per week; and
  - spread out on less than 3 months.

## 5. PROCESS OF RECOGNITION

- (1) The application with required documents as specified shall be accompanied by a 'Reasonable Assurance Report issued under the 'International Standards on Assurance Engagement' by a practicing chartered accountant firm that carries satisfactory QCR rating.
- (2) In case the assurance report contains a modification, the Institute shall take decision after taking into consideration the impact of such modification.
- (3) Upon successful completion of all the requirements for approval to the satisfaction of the directorate, a certificate to the effect that the applicant is an ACP shall be issued by the Secretary of the Institute.
- (4) In case the application is rejected, the Directorate shall convey the reasons for rejection in writing to the applicant. The applicant may:
  - (i) re-apply within three months after removing the deficiencies for which no application fee will be required to be paid; or
  - (ii) Prefer an appeal in accordance with the process specified in this notification in Clause 8.

## 6. COURSE CERTIFICATION

- (1) Course Assessment
  - (i) The Institute shall conduct its own assessment on completion of the course as specified in Annexure A of the Directive 1.01.
- (2) Course Completion certificate

The ACP shall issue course completion certificate on the format specified by the Institute only to those candidates who:

  - (i) have submitted their periodic feedback of the course to the ACP,
  - (ii) have achieved minimum of 90% course requirements for in-person sessions or self-paced e-learning mode,
  - (iii) have maintained a minimum of 90% attendance in the class.

## 7. OVERSIGHT BY THE INSTITUTE

- (1) The Representative(s) of the Institute shall carry out surprise or planned reviews at each ACP, as and when required, but atleast once in each session.
- (2) To help schedule these reviews by the representative(s) of the Institute, the ACP shall display the time table of courses on its website and share the list of registered students, within, one week of the commencement of each session with the Institute.

- (3) The visit shall be for the purpose of assuring whether ACP is in compliance with the requirements of the courses. The representative(s) shall be allowed to meet the students attending the courses and to attend any part of the course, if needed.
- (4) After each visit a draft Visit Report shall be shared with the ACP and ACP shall have 15 days to comment and respond. A final report shall be submitted to the Secretary through Head of Education and Training.
- (5) The Directorate will share, for information, the details of all ACPs visits with the Education and Training Committee on a quarterly basis.

## 8. WITHDRAWAL OF APPROVAL

- (1) In case of:
  - (i) non-payment of dues under this Directive; or
  - (ii) adverse Visit Report,
 the Institute may take the actions as per paragraph 8(2):
- (2) The actions against the defaulting ACP may be as follows:
  - (i) withdraw the approval of ACP in default;
  - (ii) suspend approval for a specified period and direct the ACP in default to comply with the requirement within a specified period;
- (3) In case of withdrawal and/or suspension, further intake for HOCs shall not be allowed.

## 9. APPEAL

- (1) An applicant or an ACP aggrieved by the decision of Institute may prefer an appeal to the Council, within 30 days of receiving the decision.
- (2) The Council may, as the case be, after considering the facts, revert, amend or uphold the previous decision.
- (3) The ACP shall continue offering the Course till the decision of the Council on its appeal is communicated to ACP.

## 10. FEE AND OTHER DUES

- (1) The following fee shall be charged:

Particular	Rupees
Approval fee shall be paid along with the application	75,000
Annual fee shall be due on July 1 each year in advance and shall be paid with 45 days from the due date	50,000

The proprietor and partners/directors of an ACP shall be jointly and severally responsible for the payment of fee and other dues within the time specified under this scheme.

## 11. EFFECTIVE DATE

This notification shall become effective on **June 15, 2022**.



(2)

**Foreign**

**Qualifications**

**MEMBERS' HANDBOOK**

**PART IV**

**2. FOREIGN QUALIFICATIONS AND TRAINING**

**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF PAKISTAN**

## SECTIONAL INDEX

### 2. FOREIGN QUALIFICATIONS AND TRAINING

#### CONTENTS

2.01	Recognition of Foreign Qualifications ( <b>Revised 2024</b> )
2.02	Foreign training and examination (Part)
2.03	Residence in Pakistan a pre-requisite(withdrawn)

## **RECOGNITION OF FOREIGN QUALIFICATIONS**

In exercise of the powers conferred by sections 4 and 15 of the Chartered Accountants Ordinance, 1961 (the Ordinance) read with byelaws 109 and 137 of the Chartered Accountants Byelaws, 1983 (Byelaws), the Council of the Institute of Chartered Accountants of Pakistan (the Institute) approves the following to specify the conditions to become member of the Institute:

### **1. CONDITIONS TO BECOME MEMBER**

a. Any of the persons who has:

- (i) passed the recognized examinations; and
- (ii) completed the recognized training specified in this Directive of foreign professional bodies

shall be entitled to have his/her name entered in the Register of Members of the Institute.

b. The examinations and training of the following professional bodies are recognized as being equivalent to the examinations and training prescribed under the byelaws.

- i. Institute of Chartered Accountants in England and Wales (ICAEW)
- ii. Institute of Chartered Accountants of Scotland (ICAS)
- iii. Chartered Accountants in Ireland (CAI)
- iv. Chartered Accountants Australia and New Zealand (CAANZ)
- v. Chartered Professional Accountants of Canada (CPA Canada)

### **2. RECOGNIZED EXAMINATIONS**

All examinations appeared and passed by the person, or the person is awarded exemption(s) by the respective professional body based on examinations appeared and passed in an academic program of a university/college.

However, the said exemption would not be recognized if the person has not appeared and passed all advanced/final level paper/subject/module of above recognized professional bodies.



### **3. RECOGNIZED TRAINING**

The person is required to complete training outside Pakistan with the respective professional bodies mentioned above, under a member or member-based training organization of the respective foreign professional body that entitles the person to become a member of that professional body.

### **4. PRACTICE AS A CHARTERED ACCOUNTANT**

This directive does not automatically entitle any person becoming a member of the Institute to practice as a chartered accountant. Practice as a chartered accountant is governed by other relevant provisions of the Ordinance, byelaws and directives.

**390<sup>th</sup> meeting of the Council held on November 15-16, 2024**

## **FOREIGN TRAINING AND EXAMINATION (PART)**

### **ACCA and CIMA**

#### **The Council decided that:**

- a. Candidates / students who have successfully completed all examinations of ACCA / CIMA on or after June 1, 2002 and apply for exemption and registration to ICAP would be exempted from the under mentioned examinations only:
  - (i) Pre-entry Proficiency
  - (ii) Foundation and Intermediate
  
- b. The Council also decided in respect of ACCA/CIMA qualified students registered with ICAP upto May 31, 2002, to extend the following facility to the said students:
  - (i) ACCA/CIMA qualified candidates who were granted exemptions from certain papers of Professional examinations upto May 31, 2002 shall be required to sit for a Specified paper of Advanced Accounting and Financial Reporting; Management Accounting; Business Finance Decision at Module F examination with effect from June 2003 Examination Session. The said paper shall be in addition to other than the exempted papers of Module F required to be taken by them. The syllabus of specified paper will be as prescribed and shall be subject to changes as applicable to ICAP students. In particular the following may be noted:
 

Questions will not be set on new legislation, standards, guidelines, statements and exposure drafts at any examination held within the six months of the publication thereof. Six months are to be counted from the date of publication of International Accounting Standard / Exposure Draft by ICAP.

Notifications and circulars in respect of Finance Act / Ordinance, issued within a period of less than six months from the examination date will not be tested. However, the Finance Act / Ordinance would be examined from the attempt following its date of enforcement.
  - (ii) The procedure described in paragraph b (i) above shall be valid upto December 2005 Examination Session whereafter the facility offered shall stand automatically withdrawn.

**(156th Meeting of the Council - April 5, 2003)**

**ICAEW and AICPA:****The Council decided that:**

- (i) The exemptions currently available for candidates who had completed the PE-1 examination of The Institute of Chartered Accountants in England and Wales (ICAEW) be withdrawn as the said examination had been discontinued at ICAEW.
- (ii) Cases of exemptions to AICPA qualified candidates be dealt with on a case to case basis as different states in the US follow different policies.

**(155th Meeting of the Council - February 1, 2003)**

**Bangladesh Institute:** “The Council decided that such students who had completed their service as an audit/articled clerk before December 16, 1971 and passed equivalent examination in Bangladesh subsequently be considered for exemption from the examination of the Pakistan Institute in the relevant Part or Parts on case to case basis and after getting confirmation of result from the Institute of Bangladesh as is the practice for other recognized Institutes”.

**(71<sup>st</sup> meeting of the Council - December 21, 1983)**

**UK Institute:****The Council decided that:**

- i. Students who completed training and passed Intermediate Examination from the UK Institute should be exempted from Intermediate Examination.
- ii. Students having completed training and passed Foundation / Intermediate and Professional Examination I (PE I) Part I should be exempted from Intermediate and paper II and IV of Final Group II.
- iii. Students availing exemptions in Final Group II will not be entitled to referral concession and they will be allowed only three successive attempts to clear the remaining subject failing which they will be required to appear in all the subjects of Final Group II”.

**(64th meeting of the Council - December 24, 1981)**

(3)

Fees



## SECTIONAL INDEX

### 3. FEES AND SUBSCRIPTIONS

#### CONTENTS

3.01	Schedule of various fees
3.02	Retired members to pay fee at Concessional rates ( <b>Withdrawn</b> )
3.03	Payment of Fee by Members ( <b>Revised-2024</b> )
3.04	Concession in Fee for Those Members Who Have No Source of Income ( <b>Revised-2019</b> )

**Directive 3.01****SCHEDULE OF VARIOUS FEES***(Effective from 1st July 2022)***MEMBERSHIP FEES:****Pak Rupees**

<b><u>ADMISSION FEE:</u></b>	
Associate (ACA)	500
Fellow (FCA)	1200
Restoration Fee ACA	6000
Restoration Fee FCA	6000
<b><u>ANNUAL FEE:</u></b>	
Associate - (ACA)	22,000
Fellow - (FCA)	31,900
Life Membership fee	3,000
Foreign Affiliation	78,400
<b><u>ANNUAL PRACTICE FEE:</u></b>	
Associate (ACA)	22,000
Fellow (FCA)	31,900
<b><u>MISCELLANEOUS:</u></b>	
Technical Credentials Verification – Normal (7 working days)	1,300
Technical Credentials Verification – urgent (3 working days)	2600
Duplicate Membership Certificate	5000
Duplicate Membership Card/ITAG	400
Dispatch charges for documents outside Pakistan through courier	6000
Overseas (in case of International Bank Draft except USD)	1,900

**SCHEDULE OF VARIOUS FEES***(Effective from 1st July 2022)***Pak Rupees**

<b>Fee Description</b>	
<b>REGISTRATION FEES</b>	
Registration as Training on Probation	24,300
Full Time Students Registration Fee	18,700
Transfer Fee for Trainee Student	17,000
Course for trainee student (PVEA)	1,070
Bonafied Trainee/FTS Certificate	540
Duplicate Card/Examinee Card	320
<b>AFFILATES</b>	
Registration Fees	2,150
Annual Fee	5,350
Readmission Fee	2,150
Professional Values, Ethics and Attitudes Course Fee	1,070
<b>Registration and Annual Renewal fee for RAETs and APPs</b>	
RAET Application Fee	6,400
Induction of New RAET	171,800
Annual Renewal Fees – Category A - First Campus	114,500
Annual Renewal Fees – Category B - First Campus	57,200
APP Annual Fee	23,000
REAT Annual Renewal Fee – Additional Campus	
- Main Cities	57,200
- Other Cities	23,100
<b>Registration Fee for Training Organizations</b>	
Training Organization Inside Practice (TOIP) Fee	44,600
Training Organizations Outside Practice (TOOP) Fee	171,700
Opening of New Training Office	17,100



**EXAMINATION FEES**

(Effective from 1st July 2022)

<b>Registration Fee</b>	
Registration as Student only	5, 500
Registration as Training on Probation	19, 000

<b>Revised Examination Fee for 2022-23</b>	
<b>W. E. F. Autumn 2022</b>	
<b>CFAP Examination</b>	
	PKR
1 Paper of CFAP	10, 200
For each additional paper	4, 000
Multi Subject Assessment (one paper only)	14, 500
Multi Subject Assessment (Two papers)	22, 000
<b>CAF Examinations</b>	
1 Paper	5, 000
For each additional paper	3, 300
<b>PRC Assessment</b>	
1 Paper	5, 300
For each additional paper	5, 300
Annual Subscription Fee	2, 200

**SCHEDULE OF VARIOUS FEES***(Effective from 1st July 2022)***Pak Rupees****EXEMPTION FEE:**

(PRC) – Per Paper	4,300
Certificate in Accounting and Finance (CAF) – Per Paper	5,200
Certificate Finance & Accounting Professional (CFAP) – Per Paper	8,000
Multi Subject Assessment (Two papers)	20,500
<b>EXEMPTION FEE FOR PROFESSIONAL QUALIFICATION</b>	
For PIPFA qualified candidates	10,400
For ICAEW/ICAI/ICAS/CAANZ/CPA Canada qualified candidates	113,100
For ICMAP qualified candidates	41,600
For CIMA qualified candidates	31,200
<b>For ACCA qualified candidates</b>	
Exemption from three papers	15,600
Exemption from four papers	20,800

**DUPLICATE DOCUMENTS:**

Duplicate Examination Certificate	4,500
Duplicate Registration Card	350

**OTHER SERVICES**

Transcript	700
Attested Syllabus	1,200
Dispatching charges of documents to outside Pakistan through courier (for upto 0.5 kg)	7,500
Review of Answer Script/Result (per paper)	1,700
Attestation of Certificates/Result Cards/Exemption Letter/Transcript (each copy)	130
Letter of equivalence/Examinee Registration Confirmation Letter/other letters	500
Medium of instruction letter	550
Any correction of name in passing letter/grade sheet on request	1,300
Letter to embassy (per letter)	500
Examinee Assesment Scheme-(CFAP & MSA Per Paper)	9,000
Bonafide Trainee/FTS Student Certificate	540
CAF equivalence certificate	3,000
Examinee Assessment Scheme- CAF (Per Paper)	6,600

**Directive 3.01**

**SCHEDULE OF VARIOUS FEES**

*(Effective from 1st July 2022)*

**GROUP LIFE INSURANCE “FOR EXISTING MEMBERS (WHO WERE ENROLLED IN 2021-2022 POLICY):”**

Existing Members							
Sum Assured	ICAP - Group Life Conventional/Takaful Premium						
	Premium Rate						
	6.58	5.77	25.75	28.70	31.12	33.72	36.52
	Age						
	18-59	60-64	65	66	67	68	69
<b>1,000,000</b>	6,580	5,770	25,750	28,700	31,120	33,720	36,520
<b>2,000,000</b>	13,160	11,540	51,500	57,400	62,240	67,440	73,040
<b>4,000,000</b>	26,320	23,080	103,000	114,800	124,480	134,880	146,080
<b>6,000,000</b>	39,480	34,620	154,500	172,200	186,720	202,320	219,120
<b>8,000,000</b>	52,640	46,160	206,000	229,600	248,960	269,760	292,160
<b>10,000,000</b>	65,800	57,700	257,500	287,000	311,200	337,200	365,200

**GROUP LIFE INSURANCE “FOR NEW MEMBERS (WHO WERE NOT ENROLLED IN 2021-2022 POLICY):”**

New Members														
Sum Assured	ICAP - Group Life Conventional/Takaful Premium													
	Premium Rate													
	1.41	1.59	1.94	2.46	3.34	5.15	8.84	15.47	20.37	25.75	28.70	31.12	33.72	36.52
	Age													
	18-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-64	65	66	67	68	69
<b>1,000,000</b>	1,408	1,592	1,938	2,458	3,335	5,146	8,838	15,473	20,365	25,750	28,700	31,120	33,720	36,520
<b>2,000,000</b>	2,816	3,184	3,876	4,916	6,670	10,292	17,676	30,946	40,730	51,500	57,400	62,240	67,440	73,040
<b>4,000,000</b>	5,632	6,368	7,752	9,832	13,340	20,584	35,352	61,892	81,460	103,000	114,800	124,480	134,880	146,080
<b>6,000,000</b>	8,448	9,552	11,628	14,748	20,010	30,876	53,028	92,838	122,190	154,500	172,200	186,720	202,320	219,120
<b>8,000,000</b>	11,264	12,736	15,504	19,664	26,680	41,168	70,704	123,784	162,920	206,000	229,600	248,960	269,760	292,160
<b>10,000,000</b>	14,080	15,920	19,380	24,580	33,350	51,460	88,380	154,730	203,650	257,500	287,000	311,200	337,200	365,200

**PREMIUM PER PERSON PER ANNUM:**

PLANS	Plan A	Plan B	Plan C	Plan D
Member / Spouse < 59	16,914	22,904	10,323	9,225
Maternity Premium (upto 45 years) <b>[to be paid in addition to normal premium]</b>	108,891	-	26,121	17,083
Member / Spouse (60 to 69)	66,903	73,903	56,939	50,884
Member / Spouse (70 to 80)	139,230	135,050	80,226	71,696
Child < 18 years	24,112	22,620	14,069	12,303
Child 18 years & above (max age: 25 years for unmarried son)	13,511	15,127	9,522	8,327
Parents <60	44,393	45,537	26,714	23,873
Parents < 60-69	103,138	104,388	52,326	56,464
Parents 70-85	136,541	130,536	76,740	82,808

- **Existing Members (Who were enrolled in 2021-2022 policy):** All Pre-existing Maternity Conditions shall be covered under Maternity Care benefits limits respectively
- **New Members (Who were not enrolled in 2021-2022 policy):** Nine (9) Months waiting period shall be applicable on all Pre-Existing Maternity Conditions
- Room entitlement: Air Conditioned Private Room.
- Parents of the members will be covered subject to participation of member.
- **Coverage available to members/spouses for “Basic Hospitalization” up to 80 years and “Major Medical Care” up to 65 years of age.**
- **Coverage available to parents for “Basic Hospitalization” up to 85 years and “Major Medical Care” up to 64 years of age.**
- The insurance cover wouldn't be effective unless the member/family gets the insurance card, payment of insurance premium doesn't guarantee the coverage of insurance.
- **In-case of COVID-19, insurer is covering hospitalization and positive test only**
- Change in category will not be allowed during the policy year
- Full year premium will be charged for all addition/deletion during the policy year
- In case of child birth, baby needs to be added from his/her date of birth. Baby addition request should be shared within 60 days of birth

<b>ICAP RENTAL CHARGES:</b>	<b>KHI</b>	<b>ISB</b>	<b>LHR</b>
Auditorium Rent (For 4 Hours)	50,000	50,000	50,000
Auditorium Rent (for each additional hour)	10,000	10,000	10,000
New Building 2 <sup>nd</sup> Floor Hall with AC (Full day)	40,000	30,000	30,000
New Building 2 <sup>nd</sup> Floor Hall without AC (Full day)	25,000	20,000	20,000
Class Room with AC	10,000	-	-
Class Room without AC	6,000	-	-

### **PAYMENT OF FEE BY MEMBERS**

In pursuant to Section 6(2) and 15(2)(g) of the Chartered Accountants Ordinance, 1961 read with Bye-Law 10 of the Chartered Accountants Bye-Laws, 1983, the Council of the Institute decided to issue this Directive for compliance by the members.

It is observed that every year in June, the Institute starts approaching its members for payment of fee for the upcoming financial year. Majority of members respond to the reminder calls and pay their outstanding dues, however every year there are some members (including practicing members) who pay their fee after a lapse of considerable time despite repeated reminders and follow up by the Institute.

The Council of the Institute has considered the matter and decided to prescribe the following requirement for payment of fee:

1. All members are required to pay their annual membership fee by the last day of \*September every year. Non-payment of membership fee by members will result in removal of their names under section 19(1)(c) of the Chartered Accountants Ordinance, 1961 from the register of members with effect from the first day of October and accordingly they will not be entitled to practice as or to use the designation of “Chartered Accountant” with their names.
2. Before removal of names as above, appropriate communication may be published in August Newsletter clearly communicating the consequences that non-payment of annual membership fee would result in removal of name from the members’ register.

Furthermore, the membership numbers of members who have not paid the fee by August 25 should be placed on the ICAP’s website in the members’ secured area on the same date and the link to this information should be placed at a prominent place on the website.

The Council has advised the Secretariat to devise effective and efficient follow up mechanism in order to facilitate members in payment of their dues.

(Approved by the Council in its 300<sup>th</sup> meeting held on July 28, 2018)

\*(Approved by the Council in its 385<sup>th</sup> meeting held on June 14, 2024)

**Directive 3.04**  
**(Revised 2019)**

**CONCESSION IN ANNUAL MEMBERSHIP FEES FOR MEMBERS EXPERIENCING SEVERE PERSONAL HARDSHIP OR BEING UN-EMPLOYED FOR MORE THAN ONE YEAR**

In exercise of the powers conferred by Section 27(2)(kk) of the Chartered Accountants Ordinance, 1961 read with Bye-Law 129A and provisos (iv) and (vi) of Bye-Law 10(1) of the Chartered Accountants Bye-Laws, 1983, the Council of the Institute has approved this Directive to provide the procedure required to be followed by such members who intend to take benefit of proviso (iv) or (vi) of Bye-Law 10(1) of the Chartered Accountants Bye-Laws, 1983.

A member who intends to obtain concession in the annual membership fee as per proviso (iv) or (vi) of the Bye Law 10(1) of the Chartered Accountants Bye-Laws, 1983, must submit an undertaking on the prescribed form, **not later than 30 days**, before the start of each financial year.

**Concession in annual membership fees under proviso (iv) of the Bye Law 10(1) of the Chartered Accountants Bye-Laws, 1983 (i.e. cases where the member is experiencing severe personal hardship)**

The undertaking, as stated above, would contain the date from which the member has been facing severe personal hardship along with brief details of the nature of the last job. The undertaking should be accompanied by a statement of annual earnings and expenses, number of dependents of the member and the reasons for such hardship. The reasons for the hardship may include, but are not limited to;

- (i) inability to find employment due to migration to a foreign country,
- (ii) financial instability due to prolonged illness,
- (iii) permanent or temporary incapacity to work full-time,
- (iv) inability to work for a period due to special circumstances.

A concession under this proviso would be to the extent of **fifty percent** of the annual membership fees due.

**Concession in annual membership fees under proviso (vi) of the Bye Law 10(1) of the Chartered Accountants Bye-Laws, 1983 (i.e. cases where the member remains un-employed for more than one year and is not engaged in any part-time remunerated activity)**

The undertaking, as stated above, would contain the date from which the member has been unemployed along with brief details of the nature of the last job.

A concession under this proviso would be to the extent of **seventy-five percent** of the annual membership fees due.

The member applying for concession under any of the above-mentioned provisos will inform the Institute within 30 days from the date of ending of the period of hardship or getting re-employed or getting engaged in any part/full time remunerated activity, as the case may be.

In all cases, a pro-rata fee will be charged from the member for the relevant year in which he/she is no more experiencing personal hardship or has gained a full-time or a part-time employment, as the case may be.

This Directive of the Council is applicable for annual membership fees falling due after July 1, 2019 and onwards.

**[Approved by the Council in its 309<sup>th</sup> Meeting held on January 25-26, 2019]**



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The Directive No. 3.04 (Revised-2019) before this revision reads as under:

**Directive 3.04**

**CONCESSION IN FEE FOR THOSE MEMBERS WHO HAVE NO SOURCE OF INCOME**

In exercise of the powers conferred by Section 27(2)(kk) of the Chartered Accountants Ordinance, 1961 read with Bye-Law 129A and proviso (vi) of Bye-Law 10(1) of the Chartered Accountants Bye-Laws, 1983, the Council of the Institute has approved this Directive to provide the procedure required to be followed by such members who intend to take benefit of proviso (vi) of Bye-Law 10(1) of the Chartered Accountants Bye-Laws, 1983.

A member who intends to obtain concession in the annual membership fee as per clause (vi) of the Bye Law 10(1) of the Chartered Accountants Bye-Laws, 1983, must submit an undertaking not later than 30 days before the start of each financial year stating the date from which the member has been unemployed along with brief detail of the nature of the last job.

That the member will inform the Institute within 30 days from the date of getting re-employed or getting engaged in any part/full time remunerated activity, as the case may be. In such a case, prorata fee will be charged from the member for the relevant year in which he/she has gained employment.

This Directive of the Council is applicable for annual membership fees due with effect from July 1, 2016 and onwards.

**[Approved by the Council in its 274<sup>th</sup> Meeting held on May 3-4, 2016]**

**(4)**  
**Practice**  
**Administration as**  
**Chartered Accountants**

**MEMBERS' HANDBOOK**

**PART IV**

**4. PRACTICE ADMINISTRATION AS  
CHARTERED ACCOUNTANTS**

**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF PAKISTAN**

## SECTIONAL INDEX

### 4. PRACTICE ADMINISTRATION AS CHARTERED ACCOUNTANTS

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**OFFICES TO BE MANNED BY CHARTERED ACCOUNTANTS**

"Attention of the members is invited to bye-law \* 114 of the Chartered Accountants Bye-Laws, 1961 whereby a chartered accountant in practice or a firm of such chartered accountants having any branch office in Pakistan at the commencement of the Ordinance is required to place such branch office under the separate charge of a member of the Institute. A two years' period from the date of enforcement of the Ordinance and Bye-Laws i.e. 1<sup>st</sup> July, 1961 was allowed to regularize the position. The grace period of two years expired on 30th June, 1963".

**(c.f. Para 12 of Circular 9 dated April 8, 1963)**

"Of late certain cases have come to notice in which practicing members were found to be not complying with the directives of the Council, which require members to ensure that their various offices are functioning under charge of a member of the Institute. A serious view has been taken of this irregularity and it has been decided that provisions of bye-law \*114 of the Chartered Accountants Bye-Laws, 1961 read with the Council's directives dated 8th April, 1963 should be specifically brought to the notice of the members. Members are requested to make note of these important provisions".

**(Institute's Circular No. 1/60/CA-74 dated December 20, 1974)**

"The Council in its directive dated the 8th April, 1963 had advised that a Chartered Accountant in practice or a firm of such Chartered Accountants having any branch office or offices in Pakistan is required to place such office or offices under the separate charge of a member of the Institute. In further clarification of this directive the Council has decided that such branch office or offices of the members will be considered to be in charge of a member of the Institute only if a member resides physically and permanently at the place of such branch office or offices.

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\* Now see Section 26 of C.A. Ordinance, 1961 as amended.

"Members in practice having branch offices of their firms are requested to take a note of the above directive of the 'Council and to regularize the position by placing their branch office or offices under the charge of a member of the Institute who should be present physically and permanently at a place where such office or offices are situated".

**(50th meeting of Council - July 31, 1976)**

The Council in its directive dated the 8th April, 1963 had directed that a Chartered Accountant in practice or a firm of such Chartered Accountants having any branch office or offices in Pakistan is required to place such office or offices under the separate charge of a member of the Institute. In further clarification of this directive the Council had decided that such branch office or offices of the members will be considered to be in charge of a member of the Institute only if a member resides physically and permanently at the place of such branch office or offices. However in view of the fact that the Rawalpindi / Islamabad are twin cities and situated in close proximity of each other, it is not feasible to enforce the above decision. The Council in its meeting held on July 25, 1990, therefore, decided to exempt the Rawalpindi/Islamabad offices from the application of Section 26 of the C.A. Ordinance, 1961. This Council's directive shall be deemed to have complied with if either of the offices in Rawalpindi/Islamabad are kept in charge of a member of the Institute if a member resides physically and permanently at either of the said places.

**(94th meeting of the Council - July 25,1990)**

## **PARTNERSHIP FIRMS TO SEND PARTICULARS IN THE PRESCRIBED PROFORMA**

The Institute maintains separate records of Firms of chartered accountants functioning as partnership concerns. For this purpose Form 'C' \* has been devised. The form duly completed and signed by all the partners of each firm are required to be filed with the Institute for record. Any change in the constitution of the firm as and when takes place, is also required to be intimated to the Institute in the same form.

**(Institute's Circular No. 9 dated April 8, 1963)**

Attention of members is also invited to bye-law 7 of the C.A Bye-Laws 1961 making it incumbent upon the members to notify any change in their address to the Institute promptly. Members are requested to convey to the Institute any change in their address within one month under all circumstances.

Attention of members practicing in partnership is particularly invited to form \*'C' wherein certain particulars are required to be furnished by them. It is important that a fresh form duly completed is submitted whenever any change in partnership takes place and the information must be furnished within one month of change.

**(Institute's Circular No. 1/60/CA-74 dated December 20, 1974)**

“For this purpose, all the requirements of this Directive will be considered to be fulfilled in case changes are notified by the firms to the Institute by using online web portal developed for this purpose”.

**221 Meeting of the Council-November 7, 2010**

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\* Now Form 'C', See Page 107.



## STATUS OF EMPLOYEE MEMBERS

"The Council decided that an associate or a fellow of the Institute who is a salaried employee of a chartered accountants or a firm of such Chartered Accountants is to be deemed to be in practice for the limited purpose of training of the articled clerks. Such members will not to be deemed to be in practice for other purpose and will not be granted practice certificates under the Chartered Accountants Bye-Laws. An employee member will, however, be entitled to train articled clerks provided he fulfils the requirements of Bye-Laws \*71 and other requirements. In other words he will be deemed to have completed 3 years continuous practice whilst serving in a firm of chartered accountants but will be permitted to train articled clerks after having acquired sufficient number of audits. As determined by the Council in his individual name or in partnership with a firm of chartered accountants".

**(3rd meeting of the Council - May 9-11, 1962)**

### ***Enquiry-(B)***

In this connection the following specific queries were received which were referred to the Ministry of Law for clarification. The queries and advice received are reproduced below:

#### ***Whether-***

- (a) practicing members can form a limited company for management consultancy;
- (b) practicing members can form an unlimited company for management consultancy;
- (c) non-practicing members can form a limited company for management consultancy; and
- (d) non-practicing members can form an unlimited company for management consultancy.

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\* New Bye-law 102

"We confirm the presumption that the expression "member of the Institute" as it occurs in the opening part of schedule \*\* 'C' to the bye-laws includes the case of non-practicing member as well. A reference to section 4 of the Chartered Accountants Ordinance, 1961 will show, that for entry of name in the register of the Institute practicing in accountancy is not necessary and this gets added support from bye-laws 5 to 10 as also from the contents of Schedule 'A' to the Bye-Laws. We will invite attention to column 13 of the said schedule.

"As far as queries are concerned we think that our earlier advice in this behalf would not bear repetition. We dispose of the queries with the remarks that practicing member can form an unlimited company for management consultancy provided provision of Schedule 'C' to the bye-law are not contravened and permission of the Council under paragraph 15 of that Schedule is obtained. As for a formation of a limited company in the case of practicing members is concerned that will be in violation of Section.\*23 of the Ordinance. We may add that the attempted distinction in the case of non-practicing member introduces a fallacy. All that we need say in this regard is that no sooner non-practicing members will go far management consultancy they will become practicing members. On this view of the matter therefore we need not dilate any further and our answer to the queries as framed may be taken in the negative".

**(Ministry of Law advice dated May 25, 1967)**

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\* See part 1 of Schedule 1 of C.A. Ordinance 1961, as amended.

\*\* Section 23 since amended to permit functioning of limited companies for practising as "Management Consultants".

**NO BAN ON STYLING FIRMS AGAINST MEMBERS' NAMES  
OCCUPYING HIGH GOVERNMENT POSITIONS**

"A question was considered by the Council whether there was any objection to styling practicing firms after members' name who are occupying Government positions. These firms were established by the respective members prior to joining the Government. According to the legal advice obtained there was no bar to continue the firms under the names of such members."

**(49th meeting of Council - December 26, 1975)**

## **STYLING OF FIRMS**

### **A. Criteria for Approval of Trade/Firm Name:**

1. The Council reaffirms to the effect that trade names of practicing members shall represent the name of the members in practice in the case of a sole proprietor or in the name or names of the partners for a partnership firm.
2. However, in the case of a partnership, a firm may, subject to the approval of the Council, style itself by adopting the abbreviations of the first names, the last names or the full names of the partners in a manner as explained below for the purpose of clarity:

Example: Names of the partners are:

- i. Cee Dee
- ii. Why Zed

Initials of the first names, or last names or the full names are permitted for styling the firm in one of the following manners:

- (i) C.W. [& Co./ and Co./ & Company/ and Company/ & Associates/ and Associates]
- (ii) D.Z. [& Co./ and Co. / & Company/ and Company/ & Associates/ and Associates]
- (iii) C.D.W.Z. [& Co./ and Co. / & Company/ and Company/ & Associates/ and Associates]

The use of abbreviated names shall only be permitted subject to the prior approval of the Council on a case to-case basis.

Provided that a firm shall not be allowed to be registered by a name identical with that by which a firm or a company in existence is already registered, or by a name which resembles or can be construed to resemble the brand name or initials by which a firm or a company is generally known whether in Pakistan or internationally or so nearly resembles that name or a brand name or initials so as to be calculated to deceive or misrepresent.

However, where the firm or a company in existence is in the course of being dissolved and signifies its consent in such a manner as the Institute may require, the new firm or company may be registered in the name of the firm or the company being dissolved.

**B. Inclusion of the Name of a Foreign Firm in the Name of the Pakistani Firm:**

3. A recognition of an affiliation with a foreign firm may be permitted to be indicated in the name and style with which the Pakistani firm is allowed to practice in Pakistan by the Institute in a manner as referred to in this section B.
4. A Pakistani firm in practice may enter into any one of the following relationships with a foreign firm:
  - a) As an integrated firm;
  - b) as a member firm; or
  - c) in an other form.

The nature of each relationship as listed above has been explained for the purpose of this Directive in its appendix A.

5. The manner in which the name of a firm shall be styled to demonstrate the relationship as stated under paragraph 4 is explained below.

The initials / full name of the international firm may be included as a part of the name of the local firm using one of the three options as set forth:

Example:

Exe Why & Co.	ABG / Alpha Beta Gamma
(Pakistani name complying with this Directive )	(Initials/name of the foreign firm)

**Option (a)**

The name of the firm can therefore be:

Exe Why & Co.- ABG, Chartered Accountants

**Option (b)**

Abbreviated initials of the foreign firm may be made a part of the name of the Pakistani firm as follows:

ABG - Exe Why & Co., Chartered Accountants

**Option (c)**

The full name of the foreign firm may be made a part of the name of the Pakistani firm as follows:

Alpha Beta Gamma - Exe Why & Co., Chartered Accountants

or

Exe Why & Co. – Alpha Beta Gamma, Chartered Accountants

The insertion of a dash (–) between the two names, in any of the forms as mentioned above, is not compulsory.

The nature of the relationship between the Pakistani firm and the foreign firm should be mentioned on the letterheads and other stationery of the Pakistani firm.

6. The abbreviated initials or full foreign name will only be included as a part of the name of a Pakistani firm subject to each of the following conditions, as applicable:
  - a) A Pakistani firm which has a relationship as referred to in sub-paragraphs 4 (a) and 4 (b) above shall only be entitled to style its name in the manner as referred to under the options in paragraph 5 above.

- b) The Pakistani firm which is affiliated with a foreign firm in any of the relationships as mentioned in paragraph 4 above shall have an exclusive right to operate in Pakistan on behalf of its affiliate subject to conditions laid down in this Directive.
- c) The term foreign name, as used in this Directive, means a known name of an international network of firms (a foreign firm) which is primarily engaged in public accounting practice and recognised as such within and outside its own country of domicile.
- d) Use of the Pakistani firm's name under any of the options shall be subject to approval of the Council on a case to-case basis.
- e) The Council before granting the requisite approval may obtain confirmation from the foreign firm that it has given permission to the applicant Pakistani firm for the sole use of its name in Pakistan.
- f) The Pakistani firm shall ensure that all legal formalities, as required under the laws of Pakistan, for a change in the name of the firm by addition of the foreign name are complied with and documentary evidence thereof is provided to the Institute of Chartered Accountants of Pakistan (ICAP).
- g) The Pakistani firm shall make an application to ICAP for registration of the revised name in the prescribed form, alongwith all the required documents and deposit the requisite fee as prescribed by the Council from time to time.
- h) The Pakistani firm shall file with ICAP a copy of the affiliation agreement, by whatever name called, or relevant extracts therefrom, with the foreign firm or network of firms evidencing the existence and the nature of the relationship, duly attested by the senior partner of the Pakistani firm.

- i) The Council shall be advised in writing by the Pakistani firm of any change in the nature of its affiliation with the foreign firm within a period of one month of the change taking place.
- j) The Pakistani firm, which will have been granted permission by the Council to use a foreign name in accordance with the terms as stated above, and all its partners in Pakistan shall comply with the requirements of the Chartered Accountants Ordinance, 1961, its bye-laws, all directives of the Council and Technical Releases and all the other requirements as prescribed by the Institute from time to time and shall be subject to the Quality Control Review and the Investigation and Disciplinary processes of ICAP.
- k) Any partner in the foreign / international network of firms who is not a member of ICAP shall not be permitted to hold out as being in practice in Pakistan until such time that he/ she has complied with the requirements contained in the Council Directive 2.01 (Revised 2008).
- l) Upon revocation of the affiliation agreement(s), by whatever name called, by and between the Pakistani firm and the foreign firm or network of firms, it will be incumbent upon the Pakistani firm to inform ICAP of such an occurrence within one month thereof whereupon the permission granted for use of the foreign name as a part of the local name shall be withdrawn forthwith.

**C. Other matters**

- 7. The following should be considered when styling the name of a firm or adopting the name of the foreign firm as a part of the Pakistan firm's name:
  - (a) The members should not represent to the public at large that their firm has partners who in fact are not Chartered Accountants in practice within the meaning of the Chartered Accountants Ordinance, 1961.



- (b) Inanimate or abstract names partaking of the designatory character of services to be rendered should not be allowed in order to avoid disguised attempts at publicity.
8. The restrictions relating to styling of firms shall not apply in matters of succession in which case the continuation of the name of the previous firm, including where the initials or name of a foreign firm is included, is permissible. However, the inclusion of the name of the foreign firm shall continue to be subject to the requirements referred above.
  9. The policies stated in this Directive shall also be applicable in respect of members engaged in the business of management consultancy.

The existing Directive 4.06 is superseded by this Directive No. 4.06 (Revised – 2010).

**(214<sup>th</sup> meeting of the Council - January 28, 2010)**

## **Appendix to the Council Directive No. 4.06 (Revised - 2010)**

### **Integrated Firm**

An integrated firm represents a form of a membership firm wherein in addition to the requirements for a member firm as referred below, as a result of an affiliation (by whatever name called) with the foreign firm or network of firms, the profits / losses of the Pakistan firm are integrated with the financial results of the foreign firm / network of firms in whatever manner.

### **Membership Firm**

A membership firm is a form of an affiliation where the Pakistan firm forms a part of the organisation / network of a foreign firm or a network of foreign firms being a firm / organisation / network recognised to practice as a professional accounting entity by any country being a member of the International Federation of Accountants (IFAC), and the Pakistani firm is identified as a 'member' of that firm / organisation / network. The sole proprietor / partner / partners of the Pakistani firm form a part or a member or a constituent of that foreign entity.

### **Others**

Any other form of relationships that does not fall within the definition of an integrated firm or a membership firm.

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The Directive No. 4.06 (Revised-2005) before this revision reads as under:

**STYLING OF FIRMS**

1. Keeping in view the requirements of profession, locally and internationally and the developments in the status of Pakistani firms in relation to their affiliation with the foreign firms, it has been decided that an identification of affiliation with a foreign firm / enterprise may be allowed to be indicated in the name and style with which the Pakistani firm is allowed to practice in Pakistan by the Institute.
2. A Pakistani firm in practice may enter into anyone of the following relationships with a foreign enterprise / firm: -
  - a) An integrated firm;
  - b) A member firm;
  - c) Others

The nature of each category as listed above has been explained for the purpose of this Directive in Appendix "A".

3. For the sake of clarity the relationship under 2 (a) and (b) above, the manner of styling the name has been explained as under:

The abbreviated initials / full name of the international firm may be included as a part of the name of the local firm as under:

Example (a)	"Yahya Mehmood & Co. (Pakistan name complying with revised Directive 4.06 )	ABG / Alpha Beta Gamma (Abbreviated initials/name of the foreign firm)
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The name shall therefore be:

Yahya Mehmood & Co. - ABG . Chartered Accountants

Example (b)

Abbreviated initials / name of foreign firm may also be placed as under:

ABG - Yahya Mehmood & Co.

Example (c)

Alpha Beta Gamma - Yahya Mehmood & Co.

Nature of relationship should be mentioned on letterheads and other stationery.

4. The abbreviated initials or full foreign name will only be included as a part of name subject to the following conditions:-
  - a) Only the Pakistani firms having the relationship under 2(a) and (b) will be entitled to style their name in this manner;
  - b) The Pakistani firm having the nature of affiliation as mentioned in clause (a) shall have Pakistan as its exclusive territory to operate;
  - c) Use of name will be subject to approval by the Council on a case-to-case basis;

- d) Any change in the nature of affiliation will be require to be intimated to the Council within one month of the change;
  - e) The term foreign names, as used in this revised D irective, mean a known name of international; networks of firms (foreign firms) which are primarily engaged in public accounting practice and recognized as such within and outside their own respective countries;
  - f) The Institute of Chartered Accountants of Pakistan (ICAP) before granting the requisite permission may obtain confirmation from the foreign firm that has given permission for the sole use of its name in Pakistan by the local/Pakistani firm;
  - g) Pakistani firms which will have been granted permission by ICAP to use a foreign name on the terms stated above shall comply with other requirements prescribed by the Institute from time to time;
  - h) The policy stated herein shall also be applicable in respect of members engaged in Management Consultancy business;
  - i) The Pakistani firm shall file a copy of t he Management and Licensing agreement or relevant extracts there from, duly attested by the local Senior Partner, with the International Firm or network of firms to establish the nature of relationship;
  - j) The Pakistani firm shall ensure that all legal formalities, as required under the laws of Pakistan, for a change in name of the firm by addition of the foreign name are complied with and documentary evidence thereof provided to ICAP;
  - k) The Pakistani firm shall make an application in the prescribed form, along with all documents required to ICAP and deposit the requisite administrative fee as prescribed by the Council from time to time;
  - l) The Pakistani firm and all its partners in Pakistan shall follow the C.A. Ordinance, bye-laws, all Council Directives and Technical Releases and be subject to the Quality Control Review and Investigation and Disciplinary process of the ICAP;
  - m) Non-Members of ICAP who are partners in the International network or firm shall not be permitted to hold themselves out as being in practice in Pakistan until such time that they have complied with the Council Directive 2.01 (Revised 1998); and
  - n) Upon revocation of the agreement(s) by and between local firm and the International Firm or Network of Firms, it will be incumbent upon the local firm to inform ICAP of such occurrence, whereupon the permission granted for use of name shall be forthwith withdrawn.
5. In order to ensure the professional interest of members, the following objectives needed to be kept in view in the matter of adopting firm' name:
- (a) The members should not represent to the public at large that their firm has partners who in fact are not Chartered Accountants in practice within the meaning of Chartered Accountants Ordinance, 1961.
  - (b) Inanimate or abstract names partaking of the designatory character of services to be rendered should not be allowed in order to avoid disguised attempts at publicity.
6. The Council reaffirms to the effect that trade names of practicing members shall be after the name of the members in practice in the case of a sole proprietor or in the name or names of the partners in the case of a firm. This restriction shall not apply in the case of a succession in which case the continuation of the name of the previous firm is permissible and in case of name of international firm as specified in paragraph 3 above.
7. The Council further decided that the above policy shall also be applicable in respect of members engaged in Management Consultancy business.

The existing Directive 4.06 and 4.11 are superseded by this Directive No. 4.06 (Revised-2005)

( 171<sup>st</sup> meeting of the Council – April 29, 2005)

## **Appendix to Council Directive No. 4.06 ( Revised – 2005)**

### **Integrated Firm**

Is the form of membership firm wherein in addition to the requirements for member firm as referred above, as a result of an agreement / with the foreign firm / enterprise the profit / losses of Pakistan firm are integrated with worldwide / foreign enterprise in certain manner.

### **Membership Firm**

Its a form of affiliation where the Pakistan firm forms part of the organization of a foreign firm / enterprise being a firm / organization recognized to practice as professional accounting firm by any country being the member of International Federation of Accountants (IFAC), and the Pakistani firm is identified as "member". The partners / partner of the Pakistani firm form part / constituent of international enterprise / entity.

### **Others**

Any other form of relationships that does not fall within the definition of a membership / integrated firm.

**USE OF DESIGNATION 'AUDITORS' BY PRACTICING FIRMS  
PROHIBITED**

"The Council decided that the members should use only **CHARTERED ACCOUNTANTS(S)** as their designation on letter head forms etc. and should drop the use of word **AUDITORS(S)** since the words **CHARTERED ACCOUNTANTS(S)** ordinarily covered a number of functions including auditing".

**(2nd meeting of Council - January 8-9, 1962)**

**SLEEPING PARTNERS OF PROFESSIONAL FIRMS NOT TO SIGN  
FORM 'C'**

"While considering a question of obtaining signatures on form \*'C' by all the partners of practicing firms it was decided not to require signatures of sleeping partners on form\*'C' provided the partnership agreement of the firm includes a clause that the interest of the sleeping partners in the firm was restricted to the sharing of profits to the extent of retiring benefits only. Such agreement duly signed by all the partners should be filed with the Institute within six months of the filing of form \*'C' in this respect."

**(70th meeting of the Council - September 12, 1983)**

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\* New Form 'C'



**PERMISSION TO ENGAGE IN NON-PROFESSIONAL WORK BY  
SLEEPING PARTNERS WHILE HOLDING PRACTICE  
CERTIFICATE**

"Considering a request from a member for permission to engage in non-professional work while holding practice certificate, the Council decided to accept the request and to approve the basis of grant of such permission in the future on the following criteria:-

1. 20 years of membership of the Institute; and
2. 15 years association with the same practicing firm either as a sole proprietor, partner and/or employee".

**(61st meeting of Council - December 30, 1980)**

**ATTESTATION OF PARTNERSHIP DEED FOR SUBMISSION TO  
THE INSTITUTE**

The Executive Committee in its meeting held on April 1, 1989 decided that partnership deed submitted to the Institute by the practicing firms should not necessarily be attested by the Notary Public as the same is not required under the C.A Bye-Laws. Members therefore, have the option henceforth to get partnership deed certified by a Notary public or a member of the Institute other than the Partners listed in the Deed.

**(Meeting of the Executive Committee April 1, 1989)**

## QUALITY CONTROL REVIEW PROGRAMME

The Council has decided that firms/ sole proprietorships of practicing Chartered Accountants should furnish to the Institute a complete list of their audit clients as of 30th June (within 3 months) each year, and as and when required, to enable the Professional Standards Compliance Department to carry out its Quality Control Review (QCR) programme. All practicing members are directed to extend full cooperation to successfully implement the QCR programme so as to ensure maintenance of the highest standards in practice.

Attention of members is drawn to Bye-Law 8 (3) of the Chartered Accountants Bye-Laws, 1983 which states that **the validity of the Certificate (of practice) shall, on payment of the annual fee, and on fulfillment of the directives of the Council, be extended from time to time .....** Thus, in order to renew the Certificate of Practice, it is essential for members to comply with the above requirement.

It was also decided that all firms / sole proprietorship of practicing Chartered Accountants may include a clause in their letter of engagement to all their limited liability company clients, stating that the working paper files pertaining to the client would be subject to Quality Control Review by the Institute of Chartered Accountants of Pakistan without any reference to the client.

**(135th Meeting of the Council - 6 December, 1999)**

## **CORPORATE GOVERNANCE**

The Council draws attention of members, who hold the position of director or chief executive officer or chief financial officer or any other position in a corporate entity, to their responsibility for ensuring good corporate governance in letter and spirit. This would particularly include establishing and maintaining a proper system of internal controls, as well as preparation and presentation of financial statements in conformity with International Accounting Standards applicable in Pakistan, the requirements of the Companies Ordinance 1984 and any other relevant corporate legal framework applicable to the organization in which they are working.

**(135th meeting of the Council - 6 December 1999)**

## **QUALITY CONTROL REVIEW**

The Council has reiterated that it is a professional requirement for practicing Chartered Accountants to submit their audit working paper files for a Quality Control Review (QCR) by the Institute. Thus practicing members are directed to only accept audit engagements, if the client gives consent to a QCR.

**(142nd Meeting of the Council - 7 April , 2001)**

**Directive 4.17**  
**(Revised - 2021)**

**WORK FROM OFF-SITE AND ABSENCE FROM OFFICE**

1. The Chartered Accountants Bye-Laws, 1983 and directives of the Council require practicing members to commit full time to the professional practice from usual place of business subject to certain directives that allow practicing member to carry out ancillary activities like teaching and holding of certain political offices. However, the practicing members are not prohibited from working from home or work from off-site.
2. The term 'work from off-site' means working from city or country other than where the usual place of business of such practicing member is situated. For the purposes of this Directive usual place of business will always include all offices of the firm (including sole proprietorship), wherever situated. The term practicing members include sole proprietors and partners of firm(s).
3. This Directive does not prescribe specific policies for 'work from home' or 'work from off-site'. Firms shall formulate their own written policies, procedures and protocols in this regard, which shall be applicable to all employees and practicing members/partners/sole proprietor of the firm(s).
4. In case of work from off-site, where the practicing member is the sole proprietor or is the sole partner at the usual place of business/registered address of the firm, adequate arrangements should be made for supervision of the place of business, including nomination of another member of the Institute who is either a partner of the firm or is in the employment of the firm as office incharge, in pursuance of Directive 4.02. The name of such office incharge shall be intimated to ICAP at least 7 days prior to planned commencement period of work from off-site.
5. No practicing member shall suspend provision of professional services for more than 90 continuous days or maximum of 180 days in a year (i.e. from July to June), other than for reasons of inability due to ill health.
6. In case of any persistent medical or other conditions including advanced age which prevents a practicing member from regularly providing professional services, the Council reserves the right to reconsider continuity or renewal of Certificate of Practice and may withdraw or deny renewal of Certificate of Practice, as the case may be.
7. Insufficient business shall not be an acceptable reason for the suspension of professional services or absence from office.

**Conditions for Practicing Members Providing Audit & Assurance Services**

8. Audit and assurance services by its very nature require regular active participation of the practicing member in the whole audit process. However, practicing members providing audit and assurance services in Pakistan may also work from off-site, other than on permanent basis,

subject to adherence to the written policies, procedures and protocols defined by the firm for work from off-site and compliance with all applicable laws and regulations.

9. The permanent basis for working from off-site will be deemed where the practicing member does not practice at usual place of business/registered address in Pakistan for more than 180 days in aggregate, over 2 years period (fiscal years) on a cyclical basis or 60 continuous days in a year.
10. Where the period of work from off-site is 60 or more continuous days, list of all audit opinions issued during such period shall be submitted to ICAP within 30 days of the first day in excess of the initial 60 days period, and thereafter periodically on a monthly basis, up to the date of return of the member to the usual place of business.
11. All Unique Digital Identification Numbers of the audit reports (UDINs), as and when implemented by the Institute, shall be self-obtained by the concerned practicing member.
12. It shall be the responsibility of the sole proprietor or the firm of the practicing member opting to work from off-site and providing audit and assurance services, to invest in suitable electronic audit tool (i.e. a formalized software designed to undertake and document the audit and its various steps and procedures as well as effectively monitoring the member's engagement throughout the audit process) to enable such practicing member to adequately demonstrate and document involvement throughout the audit process.

#### **Non-Compliance of this Directive by Any Practicing Member**

13. Notwithstanding anything contained to the contrary anywhere else in this Directive or in any other laws, rules, directives or regulations, the Council of the Institute is empowered to reconsider, reserve or deny the renewal of Certificate of Practice if the work from off-site and/or absence from office is not in compliance with this Directive.
14. Non-Compliance of the Directives of the Council is considered as professional misconduct and may also be referred for investigation.

***[Approved by the Council in its 343<sup>rd</sup> Meeting held on August 27-28, 2021]***

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The Directive 4.17 before this revision reads as under:

**Directive 4.17 (Revised 2014)**

**ABSENCE FROM OFFICE FOR A PRACTICING MEMBER**

1. Pursuant to Bye-Law 7 read with Bye-Law 2(1)(i) of the Chartered Accountants Bye-laws, 1983 practicing members are required to intimate their principal place of business (registered address) to the Institute. It is required that practicing members regularly attend the office at the registered address notified in the Institute's records to discharge their professional responsibilities. However, absence from office is permissible under following exceptional circumstances:

- (a) professional engagement as a practicing member;
- (b) rest and recreation and medical treatment; not exceeding three months in a financial year;
- (c) training and education; in excess of three continuous months; and
- (d) extraordinary situation such as prolonged adverse law and order condition, political unrest.

The above will be subject to conditions that:

- (i) the office is looked after by another qualified member of the Institute, who is either a partner or in full time employment of the concerned member; and
- (ii) the period of continuous absence does not exceed six months.

If the period of continuous absence is expected to exceed six months, the member shall obtain prior approval of the Executive Committee of the Council by providing detailed justifications.

- (e) temporary transfer/posting at foreign office of affiliated firm or Head Office or Regional Office of Network to which the firm of concerned practicing member belong, for the duration of transfer/posting not exceeding 36 months with prior approval of the Executive Committee of the Council;

Provided, that for the duration of such absence, the member shall not certify any audit report.

- 2. In determining period of continuous absence, attendance for a period of less than 60 days shall not be considered.
- 3. All applications for approval of absence shall include a statement confirming that the practicing member and/or his legal attorney or a duly authorized member of the Institute would attend proceedings, investigations and reviews carried out by the Institute and the Quality Assurance Board along with a consent of such attorney or a member and a statement that he has made adequate arrangement to facilitate any proceedings, investigations and reviews by the Institute and the Quality Assurance Board.
- 4. The practicing members shall maintain adequate record to demonstrate compliance with this Directive.
- 5. The Council of the Institute is empowered to reconsider the renewal of Certificate of Practice if the absence from office is not in compliance with this Directive.

*[Approved by the Council in its 253<sup>rd</sup> Meeting held on May 8-10, 2014]*



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The Directive 4.17 before this revision reads as under:

**4.17**

**ABSENCE FROM OFFICE FOR A PRACTICING MEMBER**

1. Pursuant to bye-law 8 of the Chartered Accountants Bye-laws, 1983 practicing members are required to be present at the office, identified in their practicing certificate. However, absence from office in certain circumstance is allowed subject to the following situations:
  - (a) absence not exceeding three months (in a financial year);
  - (b) absence for a period exceeding three months in a financial year provided:
    - (i) the absence is for training or education; and
    - (ii) the office is looked after by another qualified member of the Institute, who is a partner or in full time employment.

Provided that the period of such absence would not exceed one year.

2. Council is empowered to review the renewal of certificate practice if absence exceeds any of the above prescribed period. This will require special approval from the Council.

**(166<sup>th</sup> Meeting of the Council held on September 17-18, 2004)**

**PROCEDURES OF NETWORK AMONGST THE FIRMS/  
PRACTICES REGISTERED WITH THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF PAKISTAN**

1. These Directives will apply to firms/ practices opting to form a network or to become part of the existing network and will be called as ‘**Procedures for Network amongst the firms/ practices registered with the Institute of Chartered Accountants of Pakistan**’.

**2. Definition**

**2.1 Bye Laws** means The Chartered Accountants Bye-Laws, 1983 as amended or added to from time to time.

**2.2 Code of Ethics** – Code of Ethics means the Code of Ethics issued by the Institute and decisions of the Council in this regard.

**2.3 Council** – Council means the Council of the Institute.

**2.4 Firm**

**2.4.1** A sole practitioner, partnership or Corporation of professional accountants;

**2.4.2** An entity that controls such parties; and

**2.4.3** An entity controlled by such parties.

**2.5 Formal Network** - Formal network means a network amongst two or more firms/ practices registered with the Institute, where the object of network is to use the collective resources of the affiliates for execution of professional services of one or more types at one and/or at multi-locational points. The resources would include human, financial, technical and other logistic support required to execute the professional assignments. In such type of network, the common resources may be pooled and exhibited together before the service user as those belonging to one particular set of professionals.

**2.6 Institute** – Institute means the Institute of Chartered Accountants of Pakistan.

**2.7 Member in Practice:**

A member of the Institute shall be deemed “to be in practice” when individually or in partnership with chartered accountants in practice, he, in consideration received or to be received-

- 2.7.1** engages himself in the practice of accountancy, or
- 2.7.2** offers to perform services involving the auditing, or verification of financial transactions, books, accounts, or records or the preparation, verification or certification of financial accounting and related statements or holds himself, out to the public as an accountant; or
- 2.7.3** renders professional services or assistance in or about matters of principle or detail relating to accounting procedure or the recording, presentation or certification of financial facts or data; or
- 2.7.4** render such other services as, in the opinion of the Council, are or may be rendered by a chartered accountants in practice; and
- 2.7.5** the words “to be in practice” with their grammatical variations and cognate expressions shall be construed accordingly.

Explanation – An associate or a fellow of the Institute who is salaried employee of a chartered accountant in practice or a firm of such chartered accountants shall, notwithstanding such employment, be deemed to be in practice for the limited purpose of the training of (students).

**2.8 Ordinance** – Ordinance means The Chartered Accountants Ordinance, 1961. (X of 1961).

## 2.9 Network

“Network amongst two or more firms/ practices means an arrangement to facilitate the better functioning of the affiliate member firms/practices in the common economic interest of the profession and not for acquisition of any gain for the network. Such Network shall include the formal Network to use the collective resources such as turnover, infrastructures, manpower and location for execution of Professional services of one or more type.

**[Explanation] –**

**2.9.1** An affiliation as referred to above shall also include: -

**2.9.1.1** having an association with an accounting entity such that it results directly or indirectly in a common professional economic or beneficial interest.

**2.9.1.2** one or more of the entities holding out that it is so affiliated or networked.

**2.9.2** An entity shall not be treated as an affiliate of another merely for the reason that they

**2.9.2.1** share professional knowledge and data base;

**2.9.2.2** refer certain professional assignments or authorize the other to represent certain specific matters.

## 2.10 Practice

A sole practitioner, a partnership or a corporation of Professional accountants which offers professional services to the public.

**2.11 Referral Practice** – Referral Practice means a practice to refer professional work by a firm to one of its associate/affiliate either situated at a different place or rendering professional services not provided by it, to the user of the services. The predominant objective of such an arrangement is not to pool in their collective resources and exhibits them as those belonging to one particular set of professionals.

**All other terms and expressions used but not defined in these rules shall have the same meaning as assigned to them in the Chartered Accountants Ordinance, 1961, Bye-Laws and Council Directives issued and amended from time to time.**

### **3. Name of Network:**

- 3.1** The Network may have distinct name from its constituent's and from other networks. To distinguish a "Network" from a "firm" of Chartered Accountants, standards provided in Directive 4.06 shall be applicable to the name of the network. The prescribed format of application for approval of Name for Network is at **Form NWA-1** (enclosed).
- 3.2** If the name is subsequently found to be undesirable then the Institute may require withdrawal of such name, which directions of the Institute shall be complied with forthwith.
- 3.3** The Council Directive 6.04 'Code of Ethics for Chartered Accountants' permitting advertisement and use of logo will be applicable on networks
- 3.4** The firms/ practices constituting the network are permitted to print network name on their professional stationery.

### **4. Registration:**

- 4.1** A Formal Network is required to be registered with the Institute in a prescribed **Form NWA-2** (enclosed).
- 4.2** Referral Practice requires no registration.
- 4.3** It is for each firm/ practice to decide whether its affairs and relations with another firm results in creation of a Formal Network. The firms shall evaluate for themselves whether or not a formal relationship exists among them which warrants registration of network with the Institute.

**4.4** If different firms/ practices are networked with a common Multinational Entity (MNE) then irrespective of the presence/absence of any 'network' relationship between the firms/ practices inter-se, they shall be considered as part of a network. As such, for these firms/ practices the registration with the Institute is not mandatory. It is only if these firms/ practices decide to constitute a Formal Network, then the registration with the Institute is mandatory.

## **5. Ethical Compliance:**

Once the network is registered with the Institute, it will be necessary for such a network to comply with all applicable ethical requirements prescribed by the Institute from time to time in general and the following requirements in particular: -

**5.1** If one firm of the network is the statutory auditor of a listed entity then the constituent firms directly/indirectly should not accept the internal audit or book-keeping or such other professional assignments which are prohibited for the statutory auditor firm as per clause (xl) of Code of Corporate Governance.

**5.2** Clause (xli) of the Code of Corporate Governance relating to rotation of firm would be equally applicable on net work.

**5.3** The Constituent member firms/ practices of a Network and the Network shall comply with all the Ethical Standards prescribed by the Council from time to time.

## **6. Quality Control:**

It is the responsibility of Individual firms/ practices constituting the network to obtain satisfactory 'Quality Control Review' rating from the Institute. Firms/ practices not having satisfactory QCR rating but are part of any network of firms/ practices in which other firm(s) would have satisfactory QCR rating(s) are not allowed to accept and conduct audit of listed companies in strict compliance of the requirements of clause (xxxvii) of the Code of Corporate Governance.

**7. Consent of Client:**

The network firm shall obtain consent of the client to engage other network firms in discharging the professional assignments.

**8. Constitution of Network:**

**8.1** Proprietary/partnership firm(s) are permitted to form a Network.

**8.2** Proprietary/partnership firms are allowed to join only one Formal network.

**8.3** A Firm/ practice will be allowed to join only one formal network.

**9. Object of Network:**

The Network itself will not carry on any business for acquisition of gain for itself and only act as a facilitator for its members/constituent Member firms/ practices to pursue their professional jobs.

**10. Responding to Enquiries:**

Only one firm can apply on behalf of the network showing the collective strength of all the constituent firms/ practices of the network, when responding to any enquiry.

**11. Issuing Reports:**

Only the constituent member firm(s)/ practice(s) which is/are part of the network, and originally undertaken the assignment in its/ their own name is/ are eligible to issue/sign/attest any certificate/Report/professional document/assignment irrespective of the fact that resources from other constituent firms have also been engaged on the assignment.

**12. \*Violation of Ordinance:**

In case of alleged violation of the provisions of the Ordinance, Bye-laws, Directives/ guidelines laid down by the Council from time to time and Code of Ethics by the Network firm, the proprietary/partnership firm(s) constituting the Network which originally undertakes the assignment as per paragraph 11 would be answerable. Thus, the responsibility would rest with the Engagement Partner who signs the report.

**13. Exit From Network:**

A constituent Member firm of a Network may after clearing dues of network, if any, exit from the network by sending the declaration in **Form NWA-3** (enclosed) at the registered office of the network and to the Institute. The concurrence/acceptance of the same by other firms/ practices forming part of the network firm shall not be required.

**14. Framework of Internal Byelaws of Network requiring Registration:**

To streamline the networking, a network shall formulate operational byelaws. Byelaws may contain the following clauses on which the member firms/ practices of the network may enter into a written agreement among themselves (a copy whereof should be sent to the Institute):

- 14.1** Appointment of a Managing Committee, from among the managing partners of the member firms/ practices of the network and the terms and conditions under which it should function. The minimum and maximum number of members of the Managing Committee shall also be agreed upon.
- 14.2** Administration of the network.
- 14.3** Contribution of membership fees to meet the cost of the administration of the network.

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\* Rule 12 was amended by the Council in its 200<sup>th</sup> Meeting held on October 16, 2008.



## 4.18

- 14.4 Dispute settlement procedures through arbitration, Alternate Dispute Resolution (ADR) and mediation.
- 14.5 Development of training materials for members of the network.
- 14.6 Issue of News-letters for staff and clients.
- 14.7 Development of software's for different types of assignments.
- 14.8 Development and maintenance of data bases relevant for different types of assignments.
- 14.9 Setting up Library.
- 14.10 Appointment of a Chief Executive/ Technical Director to whom references can be made.
- 14.11 Determining the methodology for drawing resources from each member firm.
- 14.12 Determining compensation to member firms/ practices for resources to be drawn from them.
- 14.13 Peer review of the member firms/ practices.
- 14.14 Development of a disclaimer statement such that the member firms of the network are independent firms and are only associated/ affiliated with the network and the network itself provides no client services. No member firm has any authority to obligate or bind any other network member firm vis-à-vis third parties, nor does network itself have any such authority to obligate or bind any of its member / constituent firm.

These clauses are illustrative.

**(ICAP 193<sup>rd</sup> Council Meeting – November 7, 2007)**

**APPLICATION FOR APPROVAL OF NAME FOR NETWORK OF FIRMS/ PRACTICES**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**  
**[See Rule 3 of Procedures of Network amongst the firms/ practices registered with The Institute of Chartered Accountants of Pakistan]**

1. Proposed name of Network (in order of preference) if the Network has a distinct name :

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

2.	Name(s) of the firm(s)/Member(s) forming network	Firm Name/ Member Name	Membership No.
----	--	------------------------	----------------

- |    |       |       |       |
|----|-------|-------|-------|
| a) | _____ | _____ | _____ |
| b) | _____ | _____ | _____ |
| c) | _____ | _____ | _____ |
| d) | _____ | _____ | _____ |

3. Address of the Office of the Network:

\_\_\_\_\_  
\_\_\_\_\_

4. We hereby declare that the above firm(s)/ practice(s) proposed to have entered into an understanding to form a network in accordance with Rules of Network amongst the firms/ practices registered with The Institute of Chartered Accountants of Pakistan and further affirm and confirm that the partner signing the application has been duly authorized by the other partners of the respective firms/ practices .

Place : .....

Name(s) with Membership No(s) and signature(s) of duly authorized Partner(s)/Proprietor(s) of the firms/ practices/ Member constituting Network

Date : .....

**DECLARATION FOR REGISTRATION OF FORMAL NETWORK  
AMONGST FIRMS/ PRACTICES REGISTERED WITH THE  
INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**[See Rule 4 of Procedures of Network amongst the firms/ practices  
registered with The Institute of Chartered Accountants of Pakistan]**

**PARTICULARS OF NETWORK**

1. Name of the Network
2. Address of the Network
3. Names and addresses of firms/ practices/Member constituting the Network

Names and addresses of Firm(s)/Member(s)	Membership	No.
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4. (a) Date of formation of Network
- (b) Date on which present network arrangement was entered into
5. We undertake to comply with the guidelines/directions laid down by the Council regarding Network from time to time.

We hereby declare that:

(a) the network constituents have entered into an agreement to form this network.

(b) that the partner(s) signing this declaration has been duly authorized by the other partners of the firm.

Place : .....

Name(s) with Membership No(s). and signature(s) of duly authorized Partner(s)/ Proprietor(s) of the firms/ practices/

Date : .....

**DECLARATION FOR DISSOCIATION FROM A NETWORK**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**  
**[See Rule 13 of Procedures of Network amongst the firms/ practices**  
**registered with The Institute of Chartered Accountants of Pakistan]**

1. Name of the Network
2. Address of the Network
3. Names and addresses of firms/ practices constituting the Network

Names and addresses of Firm(s)/Member(s)	Membership	No.
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4. Name and address of the firm/member willing to dissociate from the Network

Name and address of Firm(s)/Member(s)	Membership	No.
---------------------------------------	------------	-----

In pursuance to the Rule 13 of Rules of the Network issued by The Institute of Chartered Accountants of Pakistan, We/I .....hereby declare our dissociation from the Network w.e.f. ....

I hereby declare that I have been duly authorized by the other partners to issue this declaration.

Place : .....

Date : .....

Name with Membership No(s).  
and signature(s) of duly authorized  
Partner(s)/Proprietor(s) of the firm/  
Member dissociating from the Network

## **RETENTION AND CUSTODY OF WORKING PAPERS BY CHARTERED ACCOUNTANT FIRMS**

In exercise of the powers conferred by Section 27(2)(kk) of the Chartered Accountants Ordinance, 1961 read with Bye-Law 129A of the Chartered Accountants Bye-Laws, 1983, the Council of the Institute has approved this Directive for compliance by the members.

It is observed that there is no mandatory requirement for the preservation period of working paper files/documentation by the firms of Chartered Accountants in respect of assignments pertaining to audit, review of financial statements and other assurance and related service engagements.

Accordingly, the Council of the Institute has considered the matter and decided to prescribe the following requirements for the practicing Chartered Accountants, with immediate effect, in relation to the retention and safe custody of their working papers.

In case of failure of the firm to comply with the requirements of this Directive, all the partners of the firm will be held responsible for non-compliance under the provisions of the Chartered Accountants Ordinance, 1961:

- 1) The Chartered Accountant firms shall establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of their practice and in accordance with the relevant laws and regulations. However, the retention period for audit engagements should not be less than **six years** from the date of signing of the auditor's report or, if later, the date of the group auditor's report.
- 2) The auditor should not delete or discard audit documentation which forms the basis of forming an opinion on the financial statements before the end of its retention period.
- 3) In case a report has not been issued in connection with an engagement, or in case of withdrawal of the engagement, the audit documentation must be retained for two years from the date that fieldwork was substantially completed.

- 4) Unless otherwise agreed amongst the partners of the firm in writing, in case of re-organization, resignation or retirement of partners (changes in composition, changes in name of firm etc.), the responsibility for retention of working papers will rest with the partners carrying the name of the firm.
- 5) In case of splitting of the firm, unless otherwise specifically agreed by the partners in writing, the engagement partner of the assignment will be responsible for the retention and safe custody of the working papers.
- 6) In case any proceedings of misconduct or other legal proceedings are in process against the auditor the relevant records shall be maintained and retained till the completion of such proceedings or the above mentioned period of six years whichever is later.

Additional Guidance may be obtained from the International Standard on Auditing (ISA) 230 (Audit Documentation) and relevant paragraphs of International Standard on Quality Control (ISQC) 1 regarding the retention and safe custody of working papers.

This Directive of the Council is applicable with effect from July 1, 2014.

*[Approved by the Council in its 253<sup>rd</sup> Meeting held on May 8-10, 2014]*

## **DIRECTIVE ON CONDUCTING NON-STATUTORY AUDITS / ASSIGNMENTS**

In exercise of the powers conferred by Section 27(2)(kk) of the Chartered Accountants Ordinance, 1961 read with Bye-Law 129A of the Chartered Accountants Bye-Laws, 1983, the Council of the Institute has approved this Directive to provide guidance to the practicing members during the conduct of non-statutory audit of financial statements and other assignments of their clients in the nature of assurance and related services.

It has been noted in certain instances that the practicing members do not follow the applicable assurance or related services framework while conducting non-statutory audits and other professional assignments which are performed for internal purposes and/or on specific request of their clients. Consequently, members are hereby advised to follow and strictly comply with all the provisions of the applicable standards and the relevant framework while performing professional services for their clients which are outside the scope of statutory audits. Furthermore, the terms of the engagement including the nature of the assignment, its key deliverables and the framework which will be followed should be documented in the form of an Engagement Letter which is duly agreed by the client.

In case of an assignment of compilation or preparation of financial statements of the client, the provisions of the International Standard on Related Services (ISRS) 4410 (relating to Compilation engagements) have to be followed by the members. In the case of engagement to perform Agreed upon Procedures, members are required to follow the provisions of ISRS 4400 [Engagements to Perform Agreed-Upon Procedures regarding Financial Information]. Further, the International Standards on Assurance Engagement (ISAEs) are to be applied in assurance engagements other than audits or reviews of historical financial information. The Auditing Technical Release (ATR) 17 also provides guidance on the application of appropriate auditing standards in carrying out professional engagement by the auditor.

It is mentioned that non-compliance with the directives of the Council results in professional misconduct under Clause (3) of Part 4 of Schedule I of the Chartered Accountants Ordinance, 1961. Therefore, members are advised to take note of the above in order to avoid violation of relevant laws and regulations.

**[Approved by the Council in its 266th Meeting held on July 24-25, 2015]**

## **DIRECTIVE ON STANDARDIZATION OF LETTERHEADS OF AUDIT FIRMS**

The Council of the Institute has approved this Directive in exercise of the powers conferred on it by Section 27(2)(kk) of the Chartered Accountants Ordinance, 1961 read with Bye-Law 129A of the Chartered Accountants Bye Laws, 1983. This Directive is to be read in conjunction with the Bye-Law 8 of the Chartered Accountants Bye-Laws, 1983 and Institute's Directive 4.06 "Styling of Firms".

This guidance applies to all members in practice operating as sole proprietor, partnership firms or under network of firms.

For the purposes of this Directive, the term "letterhead" means the member's or member firm's notepaper and documents used by the member or member firm for communicating with clients or other parties including electronic mail. "Electronic letterhead" is not a substitute for printed letterhead but is intended to be used for letters and documents that are transmitted electronically via fax or e-mail. Printed letterhead should be used for official correspondence intended to be sent through traditional mail.

The firms are directed to use same letterhead formats at all of their offices regardless of the nature of arrangement between the partners. The name of the firm printed on the letterhead should be the same as that appearing in the Institute's records. In case of association with any foreign firm or network of firms, the nature of the relationship between the Pakistani firm and the foreign firm or network of firms can also be mentioned on the letterheads and other stationery of the firm along with the name of the firm. However, the firm should ensure that local name of the firm should be more prominent viz a viz the name of foreign firm/network. Guidance in this regard can be obtained from the Directive 4.06 [Styling of Firms] of the Council.

Firms should ensure that only the name(s) of the partners or that of the sole proprietor should appear on the letterheads. No person named on the letterhead of a firm should be described by a title, description or designatory letters to which such person is not entitled. A letterhead should also include the address and telephone numbers of the firm's principal place of business and may include the address of its regional offices(es), and if the firm has a website, its web address as well.



A firm may decide to use its logo on the letterhead, however in such cases, firms are only allowed to use one logo on all its letterheads and other stationery.

**[Approved by the Council in its 266<sup>th</sup> meeting held on July 24 and 25, 2015]**

## **ENGAGEMENT OF CHARTERED ACCOUNTANTS IN PRACTICE IN OTHER OCCUPATIONS**

The Council of the Institute has approved this Directive in exercise of the powers conferred on it by Section 27(2)(kk) of the Chartered Accountants Ordinance, 1961 read with Bye-Law 129A of the Chartered Accountants Bye Laws, 1983. This Directive is to be read in conjunction with the Bye-Law 8 of the Chartered Accountants Bye-Laws, 1983 and Directive 4.09 of the Institute.

A chartered accountant in practice may engage in the following occupations without obtaining the prior approval of the Council:-

- (a) Employment under chartered accountants in practice or firms of such chartered accountants.
- (b) Private tutorship.
- (c) Attending classes and appearing for any examination, either academic or accountancy or any examination relating to the other professions and obtaining membership of such bodies/associations.
- (d) Authorship of books
- (e) Appearing before any Court of Law for representing clients etc., in respect of the "other functions" as stated in the Bye-Laws of the Institute, if so eligible.
- (f) Proprietorship, partnership or directorship of educational and training institutions extending professional or business education and training.
- (g) Part-time lecturer-ship in Universities or other institutions including those relating to or accredited by the Institute or those run under the auspices of the Institute or the Regional Committees.

(h) Acting as examiner/paper-setter for educational and professional institutions and to be a member of Universities/Colleges, Committees, Board etc.

(i) Honorary editorship of professional journals.

(j) Holding membership/office in any charitable, religious, social or educational organization without remuneration.

(k) Engaging in research and report writing and assisting national and international organizations in the preparation of their research reports.

(l) Accepting directorship of any company as non-executive director.

(m) Holding public elected offices such as Member Provincial Assembly, Member National Assembly, Senator etc.; or offices such as Special Assistant or Advisor to a Minister or Prime Minister etc.

It should be noted that the engagement of a chartered accountant in practice in the above occupations shall not be deemed to be in contravention of the Bye Law 8 of the Chartered Accountants Bye Laws and shall also not result in professional misconduct as per Clause (10) of Part 1 of Schedule I of the Chartered Accountants Ordinance, 1961, with reference to the requirement of being in main occupation.

This Directive is being issued on transitional basis and the Council of the Institute is considering appropriate provisions to address the issue of main occupation on permanent basis.

**[Approved by the Council in its 266<sup>th</sup> meeting held on July 24-25, 2015]**

### ENSURING AUDIT QUALITY

1. The audit and assurance professionals are the stewards for building trust, ensuring transparency and promoting good governance - the basic elements for corporate success and safeguarding public interest. Audit has a pivotal role in strengthening the bond between corporate structure and investors for any flourishing economy. In the international arena the new buzz word is 'Audit Quality'.
2. Global focus is moving towards gauging Audit Quality Indicators which entail time spent by senior audit team members, years of audit experience and industry specialization, average training hours and industry specific training, independence and compliance with regulatory requirements and external inspection results.
3. Audit of financial statements in Pakistan is required to be carried out in accordance with the requirements of International Standards on Auditing (ISAs) as applicable in Pakistan.
4. The Council of the Institute of Chartered Accountants of Pakistan (ICAP) requires the firms to mandatorily comply with ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Services Engagements*, ISA 220 *Quality Control for Audits of Historical Financial Information*, ISA 230 *Audit Documentation* etc issued by IFAC. These standards require extensive documentation of audit procedures and recruitment of qualified staff.
5. The Quality Control Framework has also been recently revised with enhanced requirements for the practicing members/firms. Further, the Institute also collaborated with the Government in the establishment of an Independent Audit Oversight Board of Pakistan. Hence, the cost to perform audit by the firms has significantly increased. It is a challenge for firms to ensure that quality control procedures are adequately complied within the limited funds and resources.
6. It is acknowledged that the level of fee is to be mutually agreed between the auditor and the client, which largely depends upon the volume and complexity of work involved and estimated time to be incurred on the audit engagement. The Council whilst recognizing this principle is however, of the view that there has to be some threshold provided for the profession of auditing to properly develop and work in public interest for delivering quality audit and meeting the high level of expectations. The Council had also carried out a study of audit fees prevalent in other jurisdictions (India, Sri Lanka, Malaysia, UK) and noted that the audit fees in Pakistan are considerably lower.
7. The combination of falling audit fees and decreased audit effort can lead to reduced audit quality. This impact can be especially serious for high risk public company audit clients.
8. To set a benchmark for quality audit the Council believes the fact that audit cost has a direct linkage with audit quality. Therefore, to determine optimal audit fee, the factors necessary to be considered are: past trend of audit fees charged, analysis of estimated audit time spent, cost of resources including involvement of various levels of professional personnel required in carrying out audit of financial statements and the prevailing remuneration of professional personnel. Accordingly, in best public interest, development of the audit profession and taking into account the above factors the Council has approved the attached Schedule of Audit Fee for members in practice as recommended reference fee.

In case of an existing audit client, the present audit fee is recommended to be enhanced to the level provided in the Schedule of Audit Fee mentioned above over a period of two years with mutual consent. It is proposed that in the first year the enhanced fee is more or equal to 75% of the fee recommended in the 'Schedule of Audit Fee'.

9. The Schedule of Audit Fee will not be referred for audit engagements of clients in the pre-incorporation/pre-operation stages or in case of sick project or closed operations or discontinuation of business.
10. The Schedule of Audit Fee is exclusive of the below mentioned additional services to be rendered by a statutory auditor under the Companies Act 2017, Code of Corporate Governance and for any other certifications and the professional fee for such services shall be charged separately by mutual consent.
  - Issue a Review Report on Statement of Compliance with Best Practices of Corporate Governance
  - Issue Review Report on half – yearly financial statements
  - Special reports/certification required by regulators over and above normal scope of audit
11. The fee is exclusive of traveling and hotel expenses, out of pocket expenses and other incidental costs which would be reimbursable to auditors as per the terms of arrangement.
12. The practicing members may choose to undertake the audit on a token fee or on an honorary basis or voluntarily in case of a religious or charitable institution or a company “not for profit” without compromising on the quality of audit work.

**(311<sup>th</sup> meeting of the Council – March 21-22, 2019)**

**RECOMMENDED  
SCHEDULE OF AUDIT FEE**

Type of entity	Fee
<b>Listed companies</b>	
Turnover up to Rs.500 million	Rs. 600,000
Turnover over Rs.500 million up to Rs.1 billion	Rs. 700,000
Turnover over Rs.1 billion up to Rs.50 billion	Rs.700,000 plus Rs.100,000 for every 1 billion increase in turnover
Turnover over Rs.50 billion	Rs. 6,400,000 or fee based on engagement hours computed based on hourly charge out rate/fee amount agreed with client whichever is higher
<b>Large Sized Companies / Public Interest other than listed</b>	
Turnover up to Rs.500 million	Rs.400,000
Turnover over Rs.500 million up to Rs.1 billion	Rs.600,000
Turnover over Rs. 1 billion up to Rs.20 billion	Rs.600,000 plus Rs.75,000 for every 1 billion increase in turnover
Turnover above Rs.20 billion	Rs.2,250,000 or fee based on engagement hours computed based on hourly charge out rate/fee amount agreed with client whichever is higher
<b>Medium Sized Companies*</b>	Rs.300,000
<b>Small Sized Companies*</b>	Rs.175,000

\*Excluding Medium Sized and Small Sized Companies having paid up capital less than three million.

**Note:** The terms Public Interest Company (PIC)", "Large Sized Company (LSC)", "Medium Sized Company" (MSC) and "Small Sized Company" (SSC) shall have the same meaning as defined in the Third Schedule of the Companies Act, 2017.

## **FRAMEWORK FOR REGULATION AND SUPERVISION OF CHARTERED ACCOUNTANTS TO COMPLY WITH ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM REQUIREMENTS**

The Institute, under section 5(7)(a) of the Anti-Money Laundering Act, 2010 (AML Act) has been designated as an Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) Regulator/Supervisor of its members through the Finance Division, Government of Pakistan notification dated December 23, 2019.

As a Self-Regulatory Body (SRB), the Institute is to prescribe regulatory and supervisory measures for the chartered accountants in practice to ensure compliance with the provisions and obligations specified under the AML Act. In this regard the Council has approved the "*Framework for Regulation and Supervision of Chartered Accountants to Comply with Anti-Money Laundering and Countering the Financing of Terrorism Requirements*" (the AML Framework) which is based on the *Anti-Money Laundering and Combating Financing of Terrorism Guidelines for Designated Non-Financial Business Professions* issued by the Financial Monitoring Unit (FMU).

The AML Framework outlines:

- (a) Scope of the AML Framework;
- (b) AML/CFT requirements for Institute's members in practice;
- (c) Institute's role as Self-Regulatory body of its members for AML/CFT purposes; and
- (d) AML Supervisory Board's role to coordinate with the AML Supervisor.

The AML Framework is effective from March 5, 2020.

The AML Framework is enclosed and can also be accessed at: <https://www.icap.org.pk/aml-supervision/>.

**(324<sup>th</sup> meeting of Council – February 29, 2020)**



**CA**  
PAKISTAN

**FRAMEWORK FOR REGULATION AND SUPERVISION OF  
CHARTERED ACCOUNTANTS TO COMPLY WITH ANTI-MONEY  
LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM  
REQUIREMENTS**

**(THE AML FRAMEWORK)**

February 29, 2020



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## **PREAMBLE**

Pakistan is obligated to comply with the *"International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation"* issued by the Financial Action Task Force (FATF Recommendations). Pakistan has enacted the Anti-Money Laundering Act, 2010 (the AML Act) and Anti-Terrorism Act, 1997.

The AML Act and FATF Recommendations place obligations on the accountancy profession.

Pakistan is also subject to Financial Action Task Force ("FATF") mutual evaluations on the adoption and implementation of FATF Recommendations.

In the recently concluded FATF Mutual Evaluation Report of Pakistan (issued in October 2019) Pakistan's Designated Non-Financial Businesses and Professions ("DNFBPs"), which include the accountancy sector, have been evaluated as 'Non-Compliant' with the requirements of the FATF Recommendations.

The basic intent behind the AML Act and FATF Recommendations, as it relates to accounting professionals is consistent with their ethical obligations as professionals, namely to avoid assisting criminals or facilitating criminal activity.

The Anti-Money Laundering ("AML") and Counter Financing of Terrorism ("CFT") legislations have implications on the responsibilities of chartered accountants, including the risk of criminal liability on chartered accountants for non-compliance.

## **THE INSTITUTE AS AML/CFT REGULATOR/SUPERVISOR OF ITS MEMBERS**

The Institute, under section 5(7)(a) of the AML Act, has been designated as an AML/CFT Regulator/Supervisor of its members through the Finance Division, Government of Pakistan notification dated December 23, 2019. Thereby requiring the Institute to act as a Self-Regulatory Body (SRB).

Further, through the above-mentioned notification Securities and Exchange Commission of Pakistan has been designated as AML/CFT Supervisor of the Institute.

As a SRB, the Institute is obligated to prescribe regulatory and supervisory measures for the chartered accountants in practice falling under the scope of this Framework, to ensure compliance with the provisions and obligations specified under the AML Act. In this regard the Financial Monitoring Unit (FMU) has issued Anti-Money Laundering and Combating Financing of Terrorism Guidelines for Designated Non-Financial Business Professions (FMU Guidelines). The FMU has instructed the AML/CFT Regulator/Supervisor, including the Institute, to follow these guidelines for issuing their own AML/CFT regulations/framework.

The scope of the Institute's "Framework for Regulation and Supervision of Chartered Accountants to Comply with Anti-Money Laundering and Countering the Financing of Terrorism Requirements" (the AML Framework) is given in the next sub-sections.

The FMU Guidelines also require that the Institute shall prevent criminals as well as persons proscribed and their known associates as designated under United Nations (Security Council) Act 1948 and/or Anti-Terrorism Act 1997 from becoming professionally accredited or holding a management function in or becoming a beneficial owner of the Firms.

## **SCOPE OF THE AML FRAMEWORK**

The Institute's AML Framework deals with the responsibilities of the Institute's Members in Practice that in the ordinary course of business are engaged in the rendering of "Accountant" and "Trust and Company Service Provider" services, as specified. Such Members in Practice have to comply with specific customer due diligence, record keeping and other AML/CFT Requirements.

## DEFINITIONS

For the sake of clarity, the words and phrases below, as used in this Framework, have the following meaning:

- (i) “Accountant” – means sole practitioners, partners or employed professionals within professional firms when they prepare for or carry out transactions for their client concerning:
  - (a) The buying and selling of real estate;
  - (b) Buying and selling of business entities;
  - (c) The managing of client money, securities or other assets;
  - (d) The opening or management of bank, savings or securities accounts;
  - (e) The organisation of contributions necessary for the creation, operation or management of companies; or
  - (f) Creation, operation or management of legal persons or arrangements.

Explanation: The term “Accountants” is not meant to refer to ‘internal’ professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to AML/CFT measures.

- (ii) “AML Act” - means the Anti-Money Laundering Act, 2010 (VII of 2010).
- (iii) “AML & CFT Regulator/Supervisor”- means designated regulatory or supervisory authority for relevant DNFBPs who are members of it, or regulated or supervised by it.
- (iv) “Beneficial owner” means the natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted and includes legal heir(s) and the person who exercise ultimate effective control over a person.
- (v) “Customer Due Diligence” or CDD - means
  - (a) Identifying the customer and verifying the customer’s identity on the basis of documents, data or information obtained from customer and/or from reliable and independent sources;
  - (b) Identifying, where there is a beneficial owner who is not the customer, the beneficial owner and taking adequate measures, to verify his identity so that the DNFBP is satisfied that it knows who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement;
  - (c) Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship; and
  - (d) Monitoring of accounts/ transactions on ongoing basis to ensure that the transactions being conducted are consistent with the DNFBP’s knowledge of the customer, their business and risk profile, including, where necessary, the source of funds and, updating records and data/ information to take prompt action when there is material departure from usual and expected activity through regular matching with information already available with the DNFBP.
- (vi) “CTR” - means report on currency transactions exceeding such amount as may be specified by the National Executive Committee by notification in the official Gazette.
- (vii) “DNFBPs” - means Designated Non-Financial Businesses and Professions as defined in the AML Act.
- (viii) “Enhanced Due Diligence” or EDD - means diligence in addition to CDD and may be carried out in case of high risk customers.

- (ix) “Firm” – means and includes Reporting Firms and Practicing Firms.
- (x) “FMU” - means the Financial Monitoring Unit established under section 6 of the AML Act.
- (xi) “Legal Person” - means body of persons or an entity (as a corporation, company, Non-Profit Organization (NPO), Non-Governmental Organization (NGO), Trust, Charity, Society, Association, club etc., established under any law and considered as having many of the rights and responsibilities of a natural person and especially the capacity to sue and be sued.
- (xii) “Member in Practice” – means a member of the Institute having certificate of practice and:
  - (a) Practicing as a "Chartered Accountant" individually (i.e. as a sole-proprietor) or in partnership with chartered accountants.
  - (b) Practicing as a "Management Consultant".
- (xiii) “Person” - includes an individual, association, authority, company, firm, institutions, partnership, society, trust or other entities.
- (xiv) “Politically exposed persons” or “PEPs” - means any person entrusted with a prominent public function by the State of Pakistan, a foreign country or an international organization and includes Heads of state or government, and members and senior officials of legislature, judiciary, executive, military and regulatory authorities, and senior executives of corporations, departments or bodies that are owned or controlled by the state.
- (xv) “Practicing Firm” – means a Member in Practice, who is not subject to the AML Framework except to the extent of filing the returns required under paragraphs 65 to 68 below.
- (xvi) “Reporting Firm” – means a Member in Practice who is providing services as an Accountant or Trust and Company Service Provider.
- (xvii) “Risk”- refers to risk associated with money laundering, financing of terrorism and proliferation finance;
- (xviii) “STR” - means the report on suspicious transaction specified under Section 7 of the AML Act 2010.
- (xix) “Trust and Company Service Provider” – means a Member in Practice providing the following services:
  - (a) Forming companies or other legal persons;
  - (b) Acting, or arranging for another person to act:
    - (i) as a director or secretary of a company;
    - (ii) as a partner of a partnership; or
    - (iii) in a similar capacity in relation to other legal persons;
  - (c) Providing a registered office, business address, correspondence or administrative address or other related services for a company, partnership or any other legal person or legal arrangement; and
  - (d) Acting, or arranging for another person to act, as a trustee of an express trust or similar legal arrangement.

**AML/CFT REQUIREMENTS**

1. The Reporting Firm is required to:
  - (a) Assess risks of money laundering and terrorist financing and implement an AML/CFT program to mitigate and manage the risks, as set out in Section I of the AML Framework.
  - (b) Perform customer due diligence, as set out in Section II of the AML Framework.
  - (c) Apply enhanced due diligence measures in certain cases indicative of higher AML/CFT risks, as set out in Section III of the AML Framework.
  - (d) Keep record in accordance with the requirements set out in Section IV of the AML Framework.
2. The Reporting Firm shall not establish a business relationship with following entities and/or individuals:
  - (a) Designated by, or under the authority of, the United Nations (“UN”) Security Council under Chapter VII of the Charter of the UN, including in accordance with UN Security Council Resolutions.
  - (b) Proscribed under the Anti-Terrorism Act, 1997 (XXVII of 1997) or any other law relating to terrorism.
  - (c) Persons acting on behalf of or at the direction of, above (a) and (b).
3. The Reporting Firm shall be required to submit Suspicious Transaction Report (“STR”) and Currency Transaction Report (“CTR”) to the Financial Monitoring Unit (“FMU”) notified by the Federal Government in accordance with AML Act.
  - (a) If a Reporting Firm suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to terrorist financing, it is required to report promptly its suspicions to the FMU established under section 6 of the AML Act.
  - (b) The Reporting Firm shall report all suspicious transactions including attempted transactions to FMU regardless of the amount of the transaction.
  - (c) The Reporting Firm shall report CTR to FMU for every cash transaction exceeding the prescribed limit made through the Reporting Firm, in accordance with Section 7(3) of the AML Act.
  - (d) The Reporting Firm, its senior management and employees shall not disclose to any person the fact of filing of a STR or CTR with FMU, except where so required by law.
4. Members in Practice shall be subject to the Institute’s AML Review and Validation System set out in Section V of the AML Framework.
5. The Reporting Firm, its partner(s) and employee(s) shall not be in breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, if they report their suspicions in good faith to the FMU, even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred. The Reporting Firm, including any of its partners or employees, are required not to disclose (“tipping-off”) the fact that a STR or related information is being filed with the FMU. STR shall have the same meaning as assigned to it in the AML Act.

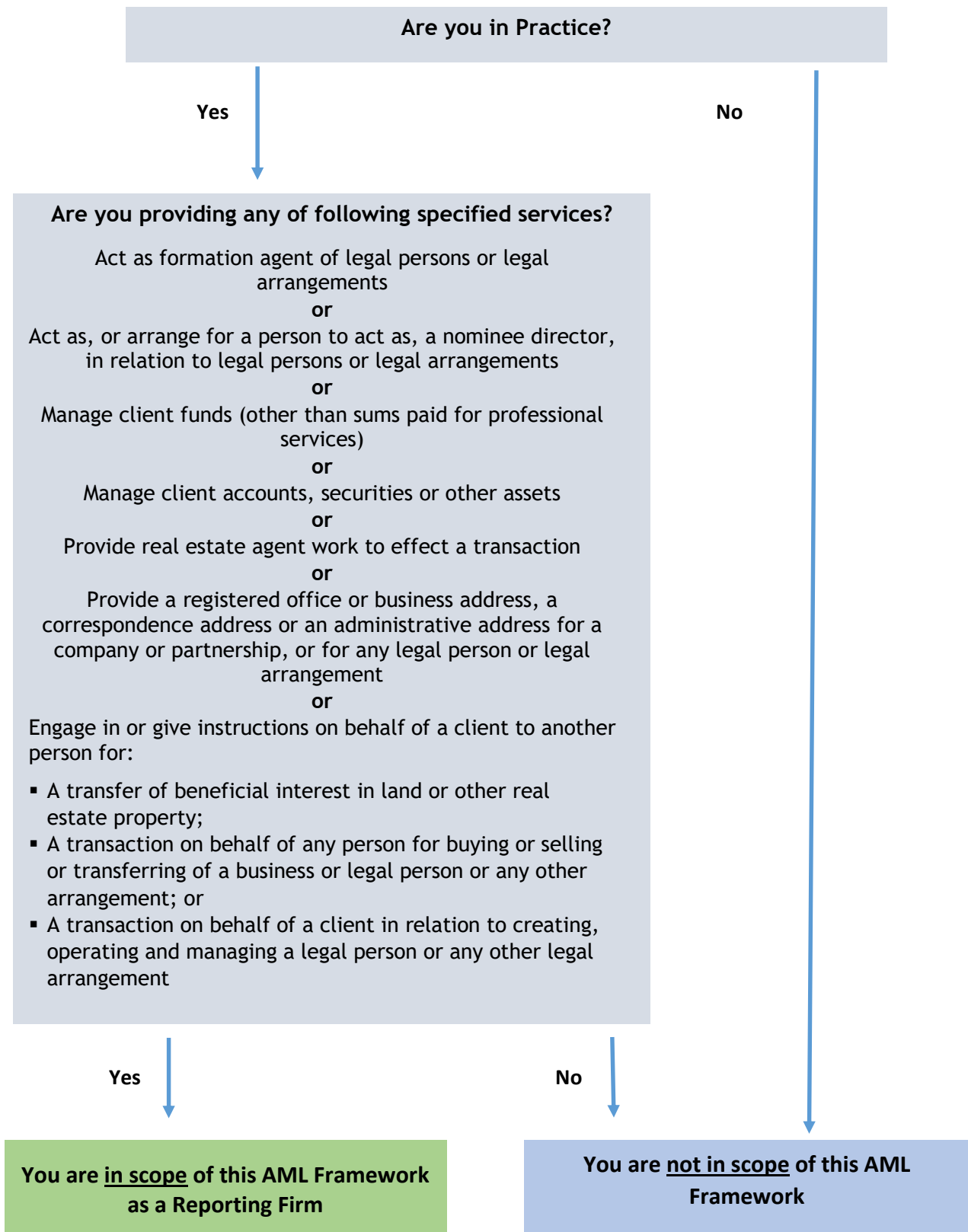
The words and expressions used in the AML Framework but not defined shall have the same meaning as assigned to them under the AML Act and Chartered Accountants Ordinance, 1961.

## TRANSITIONAL PROVISIONS

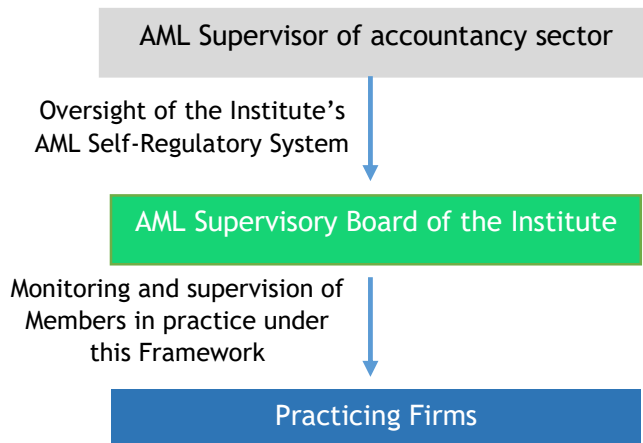
6. The transitional provisions of the AML Framework would be applicable, as explained below:
- (a) The existing clients mean those clients of the Reporting Firms to which the services of Accountant or Trust and Service Company Services are being provided as of the effective date of this Framework. The new clients mean clients of the Firm with which business relationship is established on or after the effective date of this Framework.
  - (b) The Reporting Firms shall apply the customer due diligence measures on all existing clients, in accordance with this Framework. The customer due diligence measures include screening of existing clients for identification of any proscribed or designated person. Further, the Reporting Firms shall document and retain the record of the customer due diligence measures.
  - (c) The Reporting Firms, in case of any adverse customer due diligence of the existing clients, shall follow the relevant requirements of the AML Framework.
  - (d) All Firms shall submit 'Form A' of Annual Return as mentioned in paragraph (65), based on their existing clients (i.e. clients as of the effective date of the Framework) and new clients (i.e. clients on or after the effective date of the AML Framework to June 30, 2020). The Form A shall be submitted by July 31, 2020.
  - (e) All Reporting Firms shall submit 'Form B' of Annual Return as mentioned in paragraph (65), for all existing clients (i.e. clients as of the effective date of the Framework) and new clients (i.e. clients on or after the effective date of the AML Framework to June 30, 2020). The Form B shall be submitted by August 15, 2020.
  - (f) The Reporting Firms would be subject to the first annual review under the AML Framework, based on the Form B submitted above. Section V of the AML Framework would be applicable, under the transitional provisions to the Firms.

**FLOW CHARTS**

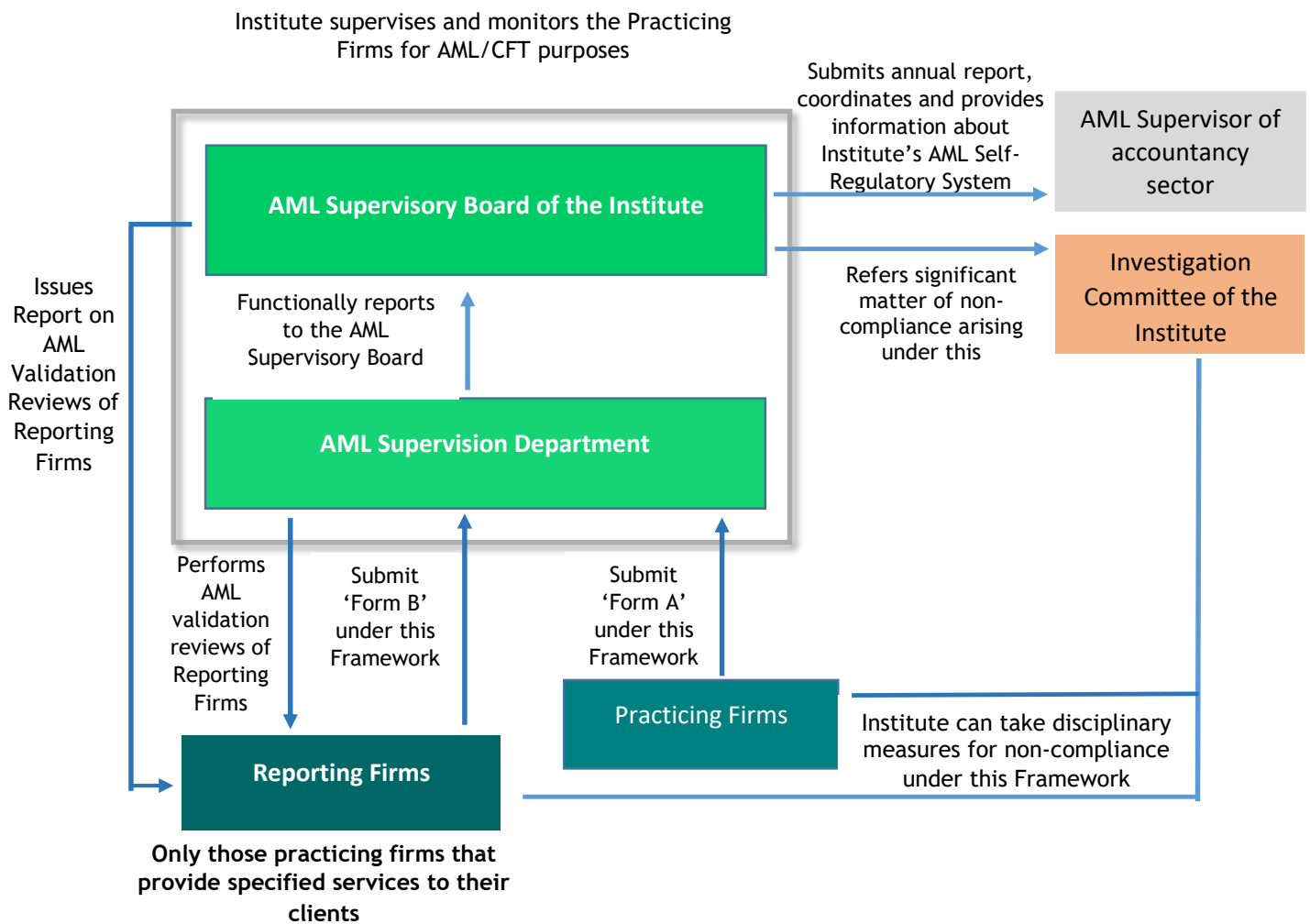
**SCOPE OF AML FRAMEWORK**



**AML SUPERVISORY MODEL**

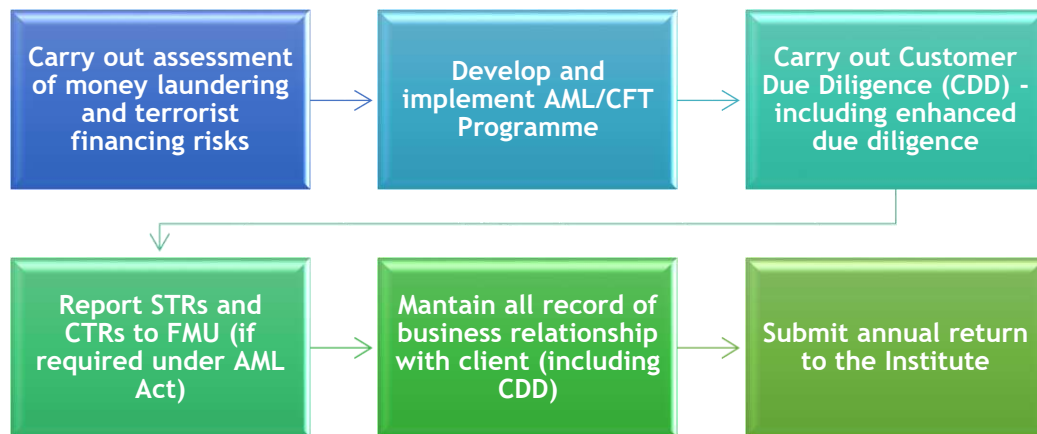


**INSTITUTE'S AML SELF-REGULATORY SYSTEM**





**OBLIGATIONS OF THE REPORTING FIRMS**



**SECTION I****RISK ASSESSMENT AND AML/CFT PROGRAMME**

1. The Reporting Firm shall develop and implement internal policies, procedures and controls to assess, manage and mitigate money laundering (“ML”) and terrorist financing (“TF”) risks.
2. For assessing, managing and mitigating the money laundering and terrorist financing risks, the policies, procedures and controls shall include the following:
  - (a) Risk assessment and management;
  - (b) Compliance management;
  - (c) Employee hiring and ongoing training;
  - (d) Customer due diligence;
  - (e) Records keeping; and
  - (f) Reporting.
3. The risk-based approach is an effective way to combat ML and TF. The Reporting Firm shall apply risk-based approach to identify, assess, manage and mitigate their ML and TF risks.
4. By adopting the risk-based approach, the Reporting Firms shall be able to ensure that measures to prevent or mitigate ML and TF are commensurate with the risks identified. The Reporting Firm need to take into account the latest National Risk Assessment, for developing and updating its risk assessment and AML/CFT Programme.
5. The Reporting Firm shall identify and assess ML and TF risks in relation to:
  - (a) Its customer (i.e. clients);
  - (b) Jurisdictions or countries clients are from or in;
  - (c) The jurisdictions or countries the Reporting Firm has operations or dealings in; and
  - (d) The products, services, transactions and delivery channels of the Reporting Firm.
6. The nature and extent of any assessment of ML/TF risks shall take into account the type of business, nature of clients and size of operations of the Reporting Firm.
7. The type and extent of the Reporting Firm’s policies, procedures and controls in each of the areas described in paragraph (2), above, shall be appropriate having regard to the risk of ML/TF and the size and nature of the business. Some of the factors to be considered include:
  - (a) The nature, scale and complexity of the Reporting Firm’s business;
  - (b) The diversity of a Reporting Firm’s operations, including geographical diversity;
  - (c) The Reporting Firm’s clients, products and activity profile;
  - (d) The volume and size of the transactions;
  - (e) The degree of risk associated with each area of the Reporting Firm’s operations; and
  - (f) The extent to which the Reporting Firm is dealing directly with the client or is dealing through intermediaries, third parties, correspondents, or non-face to face access.
8. The Reporting Firm shall also:
  - (a) Monitor the implementation of those policies, controls and procedures;
  - (b) Regularly review the risk assessment, policies, controls and procedures and revise them, where necessary; and

- (c) Ensure that its risk assessment, policies, controls and procedures are approved by senior management.
9. The policies and procedures shall include adequate screening procedures to ensure high standards when hiring employees.
10. The Reporting Firm shall communicate the internal policies, procedures and controls established to address the ML and TF concerns to its partners and employees (i.e. the professional staff).
11. The Reporting Firm shall maintain a record in writing of:
- (a) The approved risk assessment, policies, controls and procedures;
  - (b) Any changes to those policies, controls and procedures made as a result of the Institute's supervisory AML/CFT review; and
  - (c) The steps taken to communicate those policies, controls and procedures, or any changes to them, to the professional staff.
12. The Reporting Firm shall establish and implement an on-going training program for relevant staff. It shall also be ensured that all levels of professional staff have undergone such training and a written record is maintained.
13. Refresher training should be held at least once every two (2) years, or more regularly where there have been significant developments such as new regulatory requirements or changes to key internal processes.
14. The Reporting Firm having regard to the risk of ML and TF and the size of its business should:
- (a) Develop appropriate compliance management arrangements to monitor Reporting Firm's compliance with its AML/CFT policy and procedures. This includes the appointment of a compliance officer at the management level.
  - (b) Establish a function that regularly assesses the effectiveness of the Reporting Firm's internal policies, procedures and controls, and its compliance with AML/CFT requirements.
15. The Reporting Firm in relation to the specified services shall:
- (a) Identify and assess the ML and TF risks that may arise in relation to the development of new services, business practices including delivery mechanisms and the use of new or developing technologies for both new and existing services and practices; and
  - (b) Formulate policies, procedures and controls taking into consideration ML and TF threats that may arise from the new business practices or use of new or developing technologies, especially those having features of anonymity.
16. The senior management of the Reporting Firm shall be responsible for the effective implementation of the firm's policies, procedures and controls established for the risk assessment, management and mitigation of money laundering and terrorist financing risks.
- "Senior management" includes:
- (a) A sole proprietor of the Reporting Firm;
  - (b) Individual holding the position of chief executive officer/ managing partner, chief operating officer in a Reporting Firm;
  - (c) Individual holding the position of AML/CFT compliance officer in a Reporting Firm;
  - (d) A partner or employee of the Reporting Firm with sufficient knowledge of the Reporting Firm's money laundering and terrorist financing risk exposure, and of sufficient authority, to take decisions affecting its risk.

## SECTION II

### CUSTOMER DUE DILIGENCE

17. The Reporting Firm shall apply customer due diligence measures when it:

- (a) Establishes a business relationship (The customer due diligence measures shall be applied to all new clients);
- (b) Notices a significant change in the nature of business relationship or the ownership and control structure of the client's business;
- (c) Suspects money laundering or terrorist financing; or
- (d) Doubts the veracity or adequacy of documents or information previously obtained for the purposes of identification or verification.

18. The Reporting Firm shall verify the identity of the client and beneficial owner (whether permanent or occasional, and whether natural or legal person or legal arrangements) before or during the course of establishing a business relationship.

The Reporting Firm can complete verification after the establishment of the business relationship, provided that:

- (a) The ML/TF risks are effectively managed;
- (b) It is essential to not interrupt the normal conduct of business; and
- (c) The verification procedures are completed as soon as reasonably practicable.

19. The following customer due diligence measures shall be performed:

- (a) Identifying the client;
- (b) Identifying the beneficial owner;
- (c) Verifying the client's and beneficial owner's identity using reliable and independent source documents, data or information, and taking reasonable measures, such that the firm is satisfied that it knows who the beneficial owner is. For legal persons and arrangements, this shall include firm's understanding of the ownership and control structure of the client;
- (d) Understanding and as appropriate, obtaining information on the purpose and intended nature of the business relationship; and
- (e) Conducting ongoing due diligence on any continuing business relationship and scrutiny of transactions (if any) undertaken throughout the course of that relationship to ensure that the services provided under the business relationship are consistent with the Reporting Firm's knowledge of the client, their business and risk profile, including, where necessary, the source of funds.

20. The Reporting Firm shall also identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons using the relevant information or data obtained from reliable, independent sources.

The Reporting Firm shall:

- (a) For legal persons:
  - (i) Identify the natural persons (whether acting alone or together) who ultimately own the legal person;
  - (ii) To the extent that there is doubt under (i) as to whether the natural persons who ultimately own the legal person are the beneficial owners or where no natural persons ultimately own

the legal person, identify the natural persons (if any) who ultimately control the legal person or have ultimate effective control of the legal person; and

- (iii) Where there is doubt under (ii) as to whether the natural person(s) who ultimately own or have controlling ownership interest in the legal person are the beneficial owners or where no natural persons ultimately own or exert control through ownership interest in the legal person, identify the natural persons (if any) who ultimately control the legal person or have ultimate effective control of the legal person; and
- (iv) Where no natural persons are identified under clause (ii) or (iii), identify the natural persons having executive authority in the legal person, or in equivalent or similar positions.

(b) For legal arrangements:

- (i) Trusts – identify the settlors, the trustees, the protector (if any), the beneficiaries (including every beneficiary that falls within a designated characteristic or class), and any natural person exercising ultimate ownership, ultimate control or ultimate effective control over the trust (including through a chain of control or ownership).
- (ii) Other types of legal arrangements – identify persons in equivalent or similar positions, as those described under (i) above.

21. The Reporting Firm shall:

- (a) Verify the identity of person purporting to act on behalf of a client; and
- (b) Obtain and verify evidence to determine authority of such person to act on behalf of the client. Such evidence shall include documentary evidence that the client has appointed the person to act on its behalf and the specimen signature of the person appointed.

22. The Reporting Firm shall verify identification document about a client and beneficial owner from relevant authorities and bodies (including, various online registers available for the identification and verification of entities). Further, where necessary Reporting Firm shall use other reliable independent sources for verification of client and beneficial owner.

The Reporting Firm shall retain copies of all reference documents used for identification and verification.

23. The documentary record of all reference source documents, data or information used to verify the identity of the client or the beneficial owner shall be retained. Where the client is unable to produce original documents, the Reporting Firm may consider accepting documents that are certified to be true copies by an independent and qualified person (such as a network firm, a notary public, or an external law firm).

24. The Reporting Firm shall also obtain information and examine, as far as possible the background and purpose of all complex and unusual transactions, which have no apparent economic or visible lawful purpose and the background and purpose of these transactions shall be inquired and findings shall be documented with a view of making this information available to the relevant competent authorities when required.

25. The Reporting Firm shall not establish or maintain business relationship through/under anonymous contact details or fictitious names.

26. The Reporting Firm shall not establish a business relationship with following entities and/or individuals:

- (a) Persons designated under UN Security Council Resolutions.
- (b) Persons proscribed under the Anti-Terrorism Act, 1997 (XXVII of 1997).
- (c) Persons acting on behalf of or at the direction of, above (a) and (b).

The criteria for designation has been specified in various UN Security Council (UNSC) Resolutions including among others (i) Security Council resolutions 1267 (1999), 1989 (2011) and their successor resolutions; and (ii) Security Council Resolution 1373 (2001).

The implementation of the UN Security Council Resolutions is an international legal obligation for all Member States of the United Nations. The UN Security Council Resolutions relating to its sanctions regime are implemented in Pakistan through the United Nations (Security Council) Act, 1948 (Act No. XIV of 1948). Under this Act, the Ministry of Foreign Affairs issues Statutory Regulatory Orders (S.R.Os) to give legal effect in Pakistan to the decisions of the UN Security Council.

The Ministry of Interior / National Counter Terrorism Authority issues notifications of proscribed individuals /entities pursuant to the Anti-Terrorism Act, 1997.

27. The Reporting Firm shall scan/screen its clients, natural persons appointed to act on behalf of the client and beneficial owners of the client for any matches with the stated designated/proscribed person in the S.R.Os/notifications issued by the Ministry of Foreign Affairs, National Counter Terrorism Authority and Ministry of Interior, from time to time.

The Reporting Firm for scanning purposes may use software scanning tool(s) or utilize the information available on websites of UN, Ministry of Foreign Affairs, National Counter Terrorism Authority and Ministry of Interior. In terms of 26 (c) the Reporting Firm for identification of persons acting on behalf of or at the direction of designated / proscribed persons shall use the publicly available information.

28. The Reporting Firm, if during the screening or monitoring of clients finds a true match (i.e. the individual/entity is a designated/proscribed person) or suspects of a designated/proscribed person, shall immediately:

- (a) Freeze without delay the client's fund or block the transaction (if it is an existing client);
- (b) Reject the client, if the relationship has not commenced;
- (c) Lodge a STR with the FMU;
- (d) Notify the Ministry of Foreign Affairs, in case that person is designated under United Nations Security Council Resolutions;
- (e) Notify the National Counter Terrorism Authority, in case that person is designated under the Anti-Terrorism Act, 1997; and
- (f) Report to AML/CFT Supervisor/Regulator in case assets are frozen or action is taken in compliance with the relevant UNSCRs prohibition requirements, including attempted transactions.

29. The Reporting Firm shall, in addition to continuous screening required under paragraph (28), apply the customer due diligence measures to existing clients on the basis of risk assessment. The due diligence on existing relationships shall be performed at appropriate times, taking into account whether and when customer due diligence measures have previously been undertaken and the adequacy of data obtained.

30. The application of customer due diligence measures does not imply that Reporting Firm has to repeatedly identify and verify the identity of each client every time the client, with an existing business relationship, enters into a new engagement with the Reporting Firm.

31. The Reporting Firm can rely on the identification and verification steps that it has already undertaken, unless it has doubts about the veracity of that information. Examples of situations that might lead to doubts could be where there is a suspicion of money laundering or terrorist financing in relation to that client, or where there is a material change in the client's activities, which is not consistent with the client's business profile.

32. If the Reporting Firm is not able to satisfactorily complete required customer due diligence measures, the Reporting Firm shall:

- (a) Not establish new business relationship;
- (b) Terminate existing business relationship;

- (c) Consider the evidence and circumstances to evaluate as to whether it warrants the filing of an STR; and
  - (d) Maintain a list of all such clients where the business relationship was refused or needed to be closed on account of incomplete/negative verification.
33. Where Reporting Firm during performance of customer due diligence measures suspects money laundering or terrorist financing, and it reasonably believes that performing the customer due diligence process will tip-off the client, the Reporting Firm shall:
- (a) Not pursue the customer due diligence process; and
  - (b) Shall file a STR in accordance with the applicable law.
34. The Reporting Firm is allowed to apply simplified customer due diligence measures, where low risk of money laundering and terrorist financing has been assessed.
35. The examples of possible simplified customer due diligence measures are:
- (a) Verifying the identity of the client and beneficial owner after the establishment of the business relationship;
  - (b) Reducing the frequency of client identification updates;
  - (c) Reducing the degree of on-going monitoring and scrutinizing transactions, based on a reasonable monetary threshold; and
  - (d) Not collecting specific information or not carrying out specific measures to understand the purpose and intended nature of the business relationship, but inferring the purpose and nature from the type of transaction or business relationship established.
36. Where simplified customer due diligence measures are performed, the details of the risk assessment and the nature of such measures shall be documented.
37. The simplified due diligence measures are not acceptable:
- (a) Whenever there is a suspicion of money laundering or terrorist financing; or
  - (b) Where specific higher-risk scenarios apply.
38. The Reporting Firm may rely on a third party to conduct customer due diligence on its behalf.
39. In a third party reliance scenario, the third party will usually have an existing business relationship with the client, which is independent from the relationship to be formed between the Reporting Firm and the client. For example, where a third party introduced a new client to the Reporting Firm resulting in direct business relations between the Reporting Firm and the new client. Thus, if the third party has already performed its own customer due diligence on the new client, the Reporting Firm can then dispense with performing customer due diligence on the new client if the criteria in paragraph (41), below, are satisfied.
40. This is contrasted with an outsourcing or agency scenario, in which the outsourced entity applies the customer due diligence measures on behalf of the Reporting Firm, in accordance with its procedures, and is subject to the Reporting Firm's control of the effective implementation of those procedures by the outsourced entity. The reliance on third parties is not intended to cover such outsourcing scenarios.
41. The Reporting Firm's reliance on third party shall be subject to the following:
- (a) The Reporting Firm shall obtain immediately, the necessary information relating to identification of the client, identification of the beneficial owner and/or the nature of business of the client;
  - (b) Take steps to satisfy itself that copies of identification data and other relevant documentation relating to customer due diligence requirements will be made available by the third party upon request without delay;

- (c) Satisfy itself that the third party is regulated, supervised or monitored for, and has measures in place for compliance with, customer due diligence and record-keeping requirements in line with this Framework; and
  - (d) Maintain data/ information confidentiality and non-disclosure agreement with the third party.
42. When a Reporting Firm relies on a third party that is part of the same group or a network, the Reporting Firm may be considered to have applied measures in paragraph 41(b) and 41(c) through its group or network programme and that paragraph 41(d) is not a necessary precondition to reliance when higher country risk is adequately mitigated by the Reporting Firm's or network's AML/CFT policies if:
- (a) That group or network applies customer due diligence and record-keeping requirements, as well as programmes against money laundering and terrorist financing, in line with standards set by the FATF; and
  - (b) The effective implementation of those customer due diligence and record-keeping requirements and AML/CFT programmes is supervised at a group or network level by a competent authority.
43. When determining in which countries the third party that meets the conditions can be based, Reporting Firm should have regard to information available on the level of country risk.
44. The Reporting Firm shall have the ultimate responsibility for customer due diligence measures and ongoing monitoring of its clients, notwithstanding the reliance upon a third party.



## SECTION III

### ENHANCED CUSTOMER DUE DILIGENCE

45. The Reporting Firm shall apply enhanced customer due diligence and monitoring measures in the circumstances where the risk of ML/TF is higher.
46. The Reporting Firm shall apply enhanced customer due diligence, proportionate to the risks of business relationships and transactions with natural and legal persons, countries/geographies, channels, typologies identified as high risk by FATF, National Risk Assessment, AML & CFT Supervisor and its own risk assessment.

In particular, the Reporting Firm shall increase the degree and nature of monitoring of the business relationship.

Possible circumstances where the risk of ML/TF is higher, include:

- (a) The client or potential client is a politically exposed person (“PEP”), or a family member or known close associate of a PEP;
- (b) The client or potential client is a Non-Government Organization (NGO), Not for Profit Organisation (NPO) or charity;
- (c) Business relationship or transaction established with an individual/entity in a high-risk third country;
- (d) Customer risk factors:
  - (i) The business relationship is conducted in unusual circumstances (e.g. significant unexplained geographic distance between the Reporting Firm and the client), Non-resident clients.
  - (ii) Legal persons or arrangements that are personal asset-holding vehicles.
  - (iii) Business that are cash-intensive.
  - (iv) The ownership structure of the entity appears unusual or excessively complex given the nature of the entity’s business.
- (e) Country or geographic risk factors:
  - (i) Countries identified by credible sources, such as mutual evaluation or detailed assessment reports or published follow-up reports, as not having adequate AML/CFT systems.
  - (ii) Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations.
  - (iii) Countries identified by credible sources as having significant levels of corruption or other criminal activity.
  - (iv) Countries or geographic areas identified by credible sources as providing funding or support for terrorist activities, or that have designated terrorist organizations operating within their country.
- (f) Product, service, transaction or delivery channel risk factors:
  - (i) Anonymous transactions (which may include cash).
  - (ii) Non-face-to-face business relationships or transactions.
  - (iii) Payment received from unknown or un-associated third parties.
- (g) When client receives donations and is a body corporate, partnership, association or any other legal arrangement including non-governmental organizations and not for profit organizations;

- (h) When the Reporting Firm discovers that a client has provided false identification documentation or information and the Reporting Firm proposes to continue to deal with that client;
  - (i) A complex and unusually large transaction, or there is an unusual pattern of transactions, and such transaction or transactions have no apparent economic or legal purpose, and
  - (j) Other case which by its nature can present a higher risk of money laundering or terrorist financing.
47. Examples of enhanced customer due diligence measures that could be applied for higher risk business relationships include:
- (a) Obtaining additional information on the client (e.g. occupation, volume of assets, information available through public databases, internet, etc.), and updating more regularly the identification data of client and beneficial owner.
  - (b) Obtaining additional information on the intended nature of the business relationship.
  - (c) Obtaining information on the source of funds or source of wealth of the client.
  - (d) Obtaining information on the reasons for intended or performed transactions.
  - (e) Obtaining the approval of senior management to commence or continue the business relationship
  - (f) Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.
  - (g) Requiring the first payment to be carried out through an account in the client's name with a bank subject to similar customer due diligence standards.
48. The Reporting Firm shall have senior management approval for establishing or continuing such business relationships with clients for which enhanced customer due diligence measures are performed.
49. The Reporting Firm shall perform enhanced customer due diligence for the client and beneficial owners who are PEPs.
50. For the identification of a PEP, the Reporting Firm shall have appropriate risk management systems to determine whether a client or the beneficial owner of a client is a:
- (a) Foreign PEP;
  - (b) Domestic PEP;
  - (c) International organisation PEP; or
  - (d) Family member or a known close associate of a PEP.
51. The enhanced customer due diligence requirements for a PEP shall also apply to the family members and close associates of foreign and domestic PEPs.
- For the purpose of deciding whether a person is a known close associate of a PEP, the Reporting Firm need only have regard to information which is in its possession, or to credible information which is publicly available.
- “Family member of a politically exposed person” includes Spouse(s) and children of the PEP, the spouses of the PEP’s children; and Parents of the PEP;
- “Known close associate of a PEP” means:
- (a) An individual known to have joint beneficial ownership of a legal entity or a legal arrangement or any other close business relations with a PEP;
  - (b) An individual who has sole beneficial ownership of a legal entity or a legal arrangement which is known to have been set up for the benefit of a PEP.

52. Existing clients of the Reporting Firm may become PEPs after entering into a business relationship with the Reporting Firm. Therefore, the Reporting Firm considering the level of risk shall periodically monitor its existing client base for a change in PEP status.
53. The Reporting Firm shall ensure that enhanced customer due diligence is performed where there is any business relationship or transaction with a client established in a jurisdiction for which this is called for by FATF.
54. In addition to the jurisdictions called for by FATF in paragraph (53) above, the Federal Government or Institute on the advice of the Federal Government, regarding weakness in the AML/CFT systems of other countries, shall direct the Reporting Firms to adopt enhanced customer due diligence in case of clients belonging to such countries.

The FMU and SECP may also communicate to the Institute about jurisdictions requiring the enhanced customer due diligence by the Reporting Firms.

55. The Reporting Firm shall conduct enhanced due diligence of clients that are non-governmental organizations (NGOs), non-profit organizations (NPOs) and charities. The Reporting Firm shall also:
- (a) Ensure that the business relationship may not be used for unlawful objects;
  - (b) Issue the instruments in the name of the relevant NGO, NPO or charity, as given in its constituent documents;
  - (c) Conduct enhanced due diligence of the authorized agents or representatives as well as members of the governing body of the Trust, NGO, NPO or charity.
  - (d) Ensure that the authorized agents or representatives as well as members of the governing body of any Trust, NGO, NPO or charity having existing relationship are not affiliated with any proscribed or designated individual or entity, whether under the same name or a different name. In case of any positive match, the Reporting Firm should consider actions required under paragraph (28).

## SECTION IV

### RECORD KEEPING

56. The Reporting Firm shall maintain all necessary records relating to the customer due diligence/enhanced customer due diligence (about the client and beneficial ownership) business relationships/transactions (domestic and international) for a minimum period of five years of the end of client relationship or end of the date of transaction, whichever is later, or a longer period if specified in the AML legislation or where transactions, clients or instruments are involved in litigation or the same is required by a Court of law or other competent authority.
57. The Reporting Firm shall also keep and maintain all record related to STRs and CTRs filed by it for a period of at least ten years after such reporting, in accordance with the AML legislation.
58. The records shall be sufficient to permit reconstruction of individual engagements/transactions including the nature and duration of the business relationship, nature and date of the engagement and transaction, the type and amount of currency involved and the type and identifying number of any account involved in the transactions so as to provide, when necessary, evidence for prosecution of criminal activity and such records may be maintained in paper or electronic form, provided it is admissible as evidence in a court of law.
59. The Reporting Firm shall ensure, to make available on a timely basis, all risk assessment, customer due diligence and engagement records to the Institute, FMU and law enforcement agencies, whenever required.

## SECTION V

### INSTITUTE'S AML SELF-REGULATORY SYSTEM

60. The Council shall establish an AML Supervisory Board, which shall be supported by the AML Supervision Department

61. The AML Supervisory Board shall be responsible for supervising, regulating, implementing and enforcing the AML Framework and performing such other functions as are necessary for this purpose and may be delegated to it by the Council.

The AML Supervisory Board shall ensure compliance by members in practice with the provisions and obligations specified by the AML Act and the regulations issued there under on a risk-based approach having a clear understanding of the ML and TF risks: (a) present in the country; and (b) associated with the type of their clients, products and services.

62. The AML Supervisory Board may delegate any of the functions assigned to it to the AML Supervision Department and its officers.

63. The composition, tenure, duties and other related matters of the AML Supervisory Board are provided in *Appendix A* to this Framework.

64. The AML Supervisory Board in addition to its functions under this Framework, shall submit to the Council an annual report within four (4) months after June 30 of each year, covering its duties under this Framework (*Duties of AML Supervisory Board are mentioned in Appendix A*).

### AML Review and Validation System

65. The AML Supervisory Board shall establish an 'AML Review and Validation System'. Under this system:

(a) All Practicing Firms shall on an annual basis submit 'Form A' of Annual Return, by July 31; and

(b) All Reporting Firms shall on an annual basis submit 'Form B' of Annual Return, by August 15.

All Firms, in addition to the above Forms of Annual Return, shall supply, in accordance with the terms and return dates specified, any additional information and/or documentation requested by AML Supervisory Board/AML Supervision Department in exercising its functions and responsibilities under the AML Framework.

66. In cases where a Firm fails to comply with paragraph (65), one or more of the following actions may be taken by the AML Supervisory Board:

(a) Require the submission of relevant Form or other information within the specified time;

(b) Require the partner(s) and/or employees to undergo AML training or CPD activities;

(c) Refer senior management (who is a member of the Institute) of the Firm, as the case may be, to the Secretary of the Institute for the facts to be laid before the Investigation Committee, if:

i. Such Firm fails to act on (a) or (b) above; or

ii. Material misrepresentation is made by such Firm relating to scope and requirements under this Framework.

(d) Subject to independent legal advice, may refer a Firm's or a Member's material or willful non-compliance with this Framework or the AML/CFT legislation to the AML Supervisor or other government agency under the AML/CFT legislation or make a disclosure as required under law. Such reference or disclosure are not to be taken to breach any restriction, however imposed, on the disclosure of information.

67. A member found to be guilty of professional misconduct due to failure in complying with this Framework shall be sanctioned in accordance with the Chartered Accountants Ordinance, 1961. Such penalty shall be in addition to any penalty provided under the AML and CFT legislation.
68. The Institute, its Council, AML Supervisory Board members, Investigation Committee members and all employees of the Institute shall keep confidential all material and information provided by the Reporting Firm and Practicing Firm in connection with the AML review and validation, whether oral or in writing, except that such material or information may be disclosed (directly or indirectly) to any person or body undertaking regulatory or law enforcement responsibilities, for the purpose of assisting that person or body in exercising their functions or responsibilities or where such disclosure is required by law.

#### **Annual review of Reporting Firm**

69. In order to validate the annual returns and information submitted under paragraph (65), AML Supervisory Board through AML Supervision Department shall perform an annual review of the Reporting Firms by adopting a risk-based approach. The AML Supervisory Board shall, however, has discretion to review either all or a selected number of Reporting Firms.

The AML Supervisory Board shall also direct the AML Supervision Department to conduct a review of any Firm, whether it is a Reporting Firm or a Practicing Firm, on receipt of a complaint from a government agency.

70. The AML Supervisory Board may also direct the AML Supervision Department to conduct a review of any Firm, whether it is a Reporting Firm or a Practicing Firm, on receipt of a complaint from any other person. The AML Supervisory Board shall have the discretion to either first seek a response from the Firm against whom a complaint has been received or to immediately direct that a review be conducted.
71. The review of the Reporting Firms will be carried out by the AML Supervision Department in the manner set out below.

#### **Conduct of the Review**

72. The AML Supervision Department shall conduct the review of AML/CFT systems and controls of all or any Reporting Firm, it considers necessary, to:
- (a) Check that the AML/CFT risk assessment is up to date;
  - (b) Check that the AML/CFT controls, policies and procedures are in accordance with the AML Framework;
  - (c) Identify any deficiencies in the effectiveness of the risk assessment and the AML/CFT systems and controls, and issue a report thereon;
  - (d) Determine the course of action on the deficiencies noted during AML review; and
  - (e) Carry out any other task that is necessary for the implementation of this framework.
73. The AML Supervisory Board shall convey to the Reporting Firm not less than thirty (30) days in advance its intent to carry out an annual review of the Firm.
74. Subject to paragraph (76), below, if, on the receipt of the notice under paragraph (73), the Reporting Firm is of the opinion that it will not be convenient to carry out annual review on the review date, the Reporting Firm shall, not more than ten (10) business days after service of the review notice, inform the AML Supervision Department in writing of 3 further dates (being business days) on which AML Supervision Department can carry out an AML review and validation.
75. The 3 further dates referred to in paragraph (74) above, shall be no later than forty five (45) days of the review date communicated by the Institute, and the Reporting Firm shall comply with all reasonable requests by AML Supervision Department to reschedule the date of the review.
76. Above paragraphs (73), (74) and (75) shall not apply where the AML Supervisory Board is of the opinion that it is in the public interest for an annual review to be conducted with less than thirty (30) days' notice.

77. The Reporting Firm shall provide appropriate facilities to the AML reviewer(s) to enable them to carry out their functions during an onsite review visit.
78. The Reporting Firm shall use best endeavors to ensure that the senior management of the Reporting Firm is present during the AML review and validation.
79. At the conclusion of the review, any issues or concerns will be notified by the AML Supervision Department in writing to the Reporting Firm. The Reporting Firm shall, within fourteen (14) days of service of such notification (subject to any extension granted), provide a response in writing to the AML Supervision Department, including setting out an action plan to address and rectify such issues or concerns.
80. On the conclusion of review and on basis of any response received from the Reporting Firm, the AML review reports prepared by the AML Supervision Department shall be presented before AML Supervisory Board for approval, except for urgent cases where, with the permission of the Chairman AML Supervisory Board, a report may be circulated to all members of AML Supervisory Board for review and approval. At least three (3) members of the AML Supervisory Board including the Chairman shall approve the circulated report. Reports approved by circulation shall be ratified in the next meeting of the AML Supervisory Board.
81. After approval by the AML Supervisory Board, the final report as per the format/form established by the AML Supervisory Board including deficiencies if any shall be issued to the Reporting Firm.
82. If the AML Supervisory Board is not satisfied with the response received from the Reporting Firm under paragraph (81) above, it may take one or more of the following actions:
- (a) Conduct a further review of the Reporting Firm;
  - (b) Require the partner(s) and/or employees to undergo additional AML training or Continuing Professional Development (CPD) activities as recommended by the AML Supervisory Board;
  - (c) Arrange a fresh review of the Reporting Firm after the period of 90 days (subject to any extension granted by the AML Supervisory Board);
  - (d) Subject to independent legal advice, may refer a Firm's or a Member's material or willful non-compliance with this Framework or the AML/CFT legislation to the AML Supervisor or other government agency under the AML/CFT legislation or make a disclosure as required under law. Such reference or disclosure are not to be taken to breach any restriction, however imposed, on the disclosure of information.
  - (e) May refer:
    - I. Partner(s) responsible for client's business relationship/transaction and is considered non-compliant with AML/CFT requirements under this Framework; and/or
    - II. Senior management (who is a member of the Institute) of the Reporting Firm
 To the Secretary of the Institute for the facts to be laid before the Investigation Committee, if:
    - (i) The Reporting Firm fails to implement the action plan submitted at the time of earlier AML review of the Reporting Firm under paragraph (79) above;
    - (ii) Significant deficiencies in the design and implementation AML/CFT programme, policies, or procedures are noted during the Reporting Firm's AML Review; or
    - (iii) Material misrepresentation is made by the Reporting Firm during the process of the AML review and validation.

## SECTION VI

### COORDINATION WITH THE AML SUPERVISOR

83. The AML Supervisory Board shall submit to the AML Supervisor of the accountancy sector, designated by the Federal Government, annually, the report prepared under paragraph (64). The report shall be submitted within one (1) month of its submission to the Council. The AML Supervisory Board shall also provide the information reasonably required by the AML Supervisor in connection with the annual report, in accordance with the applicable law.
84. The AML Supervisory Board shall coordinate with the AML Supervisor, with regard to the Institute's Self-Regulatory AML System, in accordance with the applicable law. In addition to the annual report to be submitted by AML Supervisory Board, the AML Supervisor may request for additional information from the AML Supervisory Board, if needed.
85. For the sake of clarity, the AML Supervisor will not directly be involved in the supervision of the Members of the Institute. It will be the AML Supervisory Board that shall provide information and take any such action that the AML Supervisor requires and the AML Supervisory Board deems appropriate. These actions include:
- (a) Request for information from the Members of the Institute;
  - (b) Interview or access to the Members of the Institute; and
  - (c) Any function of the Institute un-related to AML supervision carried out by the Council under the Chartered Accountants Ordinance, 1961.



**AML Supervisory Board** (Please refer to paragraph (64) of the Framework)**Composition**

- (1) The AML Supervisory Board shall comprise of five (5) members, nominated as follows:
  - (a) One member shall be nominated by the SECP;
  - (b) One member shall be nominated by the FMU; and
  - (c) Three members shall be nominated by the Council.
- (2) The Chairman of AML Supervisory Board shall be nominated by the Council.
- (3) The Council nominations would be subject to the condition that maximum two such nominations could be of the Council members.

**Appointment and Tenure**

- (4) The relevant nominating body shall nominate an individual as member of the AML Supervisory Board in accordance with this Framework within thirty (30) days of effective date of this Framework.
- (5) A member of the AML Supervisory Board shall serve for two (2) years, unless he/she ceases to be a member.
- (6) A member may serve up to two terms of two (2) years each. After completion of first term of two (2) years, an individual would be eligible for re-nomination by the relevant appointing body, for another term of two (2) years.
- (7) In case of any casual vacancy the new member shall be nominated by the relevant appointing body within thirty (30) days, for remaining period of the member who vacated the position.
- (8) In computing the number of terms under clause (6), the term served by a member to fill in the casual vacancy shall be disregarded.

**Cessation of Membership**

- (9) A member of AML Supervisory Board shall cease to be a member if he:
  - (a) is replaced by his nominating body;
  - (b) has given his resignation in writing addressed to the Secretary of the Institute and the Council has accepted the same;
  - (c) becomes of unsound mind;
  - (d) has applied to be adjudicated as an insolvent and his application is pending;
  - (e) is an undischarged insolvent;
  - (f) has been convicted by a court of law for an offence involving moral turpitude;
  - (g) has displayed lack of fiduciary behavior and a declaration to this effect has been made by a court;
  - (h) is removed from the membership of the Institute; or
  - (i) fails to attend three consecutive meetings of the AML Supervisory Board without leave of absence from the Chair.

**Duties of AML Supervisory Board**

- (10) The AML Supervisory Board shall:
- (a) Identify, assess and update the risks of ML and TF to which the Institute's members in practice are subject;
  - (b) Adopt a risk-based approach to the exercise of supervisory functions under this Framework;
  - (c) Carry out the monitoring and supervision of the Institute's members in practice under the AML review and validation system;
  - (d) Set the format and parameters of the AML review report of the Reporting Firms;
  - (e) Collect such information as it considers necessary for the purpose of AML review and validation system;
  - (f) Approve the report on the Reporting Firm's AML review and validation;
  - (g) Refer the matter of a member to the Investigation committee of the Institute for supervisory action;
  - (h) Refer the matter of a Firm or a Member of the Institute, to the AML Supervisor, FMU or other government agency for supervisory action;
  - (i) Keep a record in writing of the significant decisions and actions it has taken in the course of its supervision, and of its reasons for deciding not to act in a particular case;
  - (j) Have sufficient resources in order to carry out its duties. It shall also ensure that adequate training is carried out of the relevant staff for performing AML Review and Validation System;
  - (k) Evaluate and assess on a regular basis the performance of the AML Supervision department;
  - (l) Designate a person to liaison with AML Supervisor and other AML related government agencies, and monitor and manage the Institute's compliance with its responsibilities as a self-regulatory body under this Framework;
  - (m) Issue guidance material to facilitate the members on how to meet their AML/CFT legal obligations; and
  - (n) Perform any other function relating to the Institute's AML Self-Regulatory Supervisory role under this Framework, or as directed by the Council.

**Duties and Powers of the Chairman of AML Supervisory Board**

- (11) The Chairman shall be responsible for the following:
- (a) Chair the meetings of AML Supervisory Board;
  - (b) Ensure timely preparation and approval of agenda, working papers, minutes etc. of the meeting;
  - (c) Ensure that a meeting of AML Supervisory Board is planned effectively, conducted according to this Framework and that matters are dealt with in an orderly and efficient manner;
  - (d) Recommend removal of member(s) to the nominating body in case a member of AML Supervisory Board is absent for three consecutive meetings of AML Supervisory Board;
  - (e) Refer the matter to the nominating body for filling up of any casual vacancy;
  - (f) Allow any person to attend the meeting of the AML Supervisory Board; and

(g) Any other function as required/prescribed in the framework.

### **Secretary of AML Supervisory Board**

- (12) The head of AML Supervision Department, shall act as the secretary of the AML Supervisory Board.
- (13) Secretary shall ensure that the AML Supervisory Board receives information and papers in a timely manner to enable full and proper consideration to be given to the related issues.

### **Quorum**

- (14) Minimum three (3) members of AML Supervisory Board shall form the 'Quorum' for a meeting.

### **Meetings**

- (15) The AML Supervisory Board shall meet at least twice in a year, and otherwise as required.
- (16) Meetings of AML Supervisory Board shall be convened by the secretary of the AML Supervisory Board with the approval of the Chairman.
- (17) The Chairman shall set the agenda of the meeting of the board and ensure that reasonable time is available for discussion of the same.
- (18) The following persons, may attend a meeting of the AML Supervisory Board:
- (a) A member of the AML Supervisory Board;
  - (b) The secretary to the AML Supervisory Board;
  - (c) Any staff of Institute whose role it is to advise or inform the AML Supervisory Board on Institute's bye-laws, regulations or the law, or its responsibilities, duties, powers and procedures under the Chartered Accountants Ordinance, 1961 and this Framework; and
  - (d) Any other person whom the Chairman permits.
- (19) In the absence of the Chairman, the members present shall elect amongst themselves a Chairman, who shall preside over the meeting of AML Supervisory Board.
- (20) The meetings of the AML Supervisory Board may be conducted via video conference and other alternative means, depending on the geographical spread of members.
- (21) AML Supervisory Board meetings cannot be attended by proxy by any of its members.
- (22) The AML Supervisory Board may also communicate between meetings by electronic or non-electronic correspondence. For example, to obtain comment on any urgent matter or to poll initial views on any matter for future discussion.
- (23) At least three (3) members of the AML Supervisory Board including the Chairman shall approve the AML Report of a firm.

All other matters before the AML Supervisory Board shall be decided by a majority of votes of the members present in the meeting. In the event of equality of votes, the person presiding shall have a casting vote in addition to his own vote.

### **Notice of meetings**

- (24) A notice in writing of each meeting of the AML Supervisory Board, confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the AML Supervisory Board no later than seven business (7) days before the date of the meeting, except in the case of emergency meetings, where the notice period may be reduced or waived. Supporting papers shall be sent to members at the same time.

(25) Notices, agendas and supporting papers may be sent in electronic form.

**Minutes of meetings**

(26) The secretary shall minute the proceedings and decisions of all meetings of the AML Supervisory Board, including recording the names of those present and in attendance.

(27) Draft minutes of AML Supervisory Board after approval by the chairman will be circulated promptly to all members of the AML Supervisory Board.

**Retention of record**

(28) For all the reviews conducted, the AML Supervisory Board shall retain all AML Review reports issued to the Reporting Firms for a period of ten years from the date of such reviews. Working papers relating to AML review shall be retained at least for a period of ten years from the date of AML report. All other records and documentation relating to the functions performed under this Framework shall be retained for ten years from the date of the related document/record.

In case of any litigation in the court of law, the AML review reports and the working papers relating to AML Review of the concerned Reporting Firm or member shall be retained until the conclusion of the litigation.

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**FORMS**

**Annual Return  
Form A**

(Required to be submitted by all firms)

- 1 **Name of the reporting entity:** *(Mention firm name)*
- 2 **Period of Form A of the Annual Return:** *(Mention the period 'From - to', information in Form A covers)*
- 3 **Address of main office of the firm:** *(Mention firm's postal address and telephone number)*
- 4 **Details of partner designated to receive AML/CFT related information from external stakeholders:** *(Please provide Name, Position, contact details including official telephone number and email address)*
- 4 **Partners of the firm:** *(Mention number)*
- 5 **People working for the firm:** *(Mention number)*
- 6 **Physical branch/office location of firm in Pakistan, other than the main office:** *(Mention the addresses)*
- 7 **Did the firm provide any of the AML/CFT regulated services (i.e. Accountant and Trust or Company Service Provider) mentioned in the AML Framework? (Yes / No)\***
- 8 **If your answer to question 7 (above) is "Yes", please indicate the AML/CFT regulated services performed by the firm: (Accountant / Trust or Company Service Provider / Both)\***

**Response**

\* Please select one

**Declaration and signature**

I confirm that I have the authority to submit this form on behalf of the reporting entity *(Name of the Firm)*. I have reviewed the answers and information and I confirm that I am satisfied that, to the best of my knowledge, after undertaking all reasonable inquiries, all answers are true and correct.

Date:

Signature:

Full name:

Position:

Official email address:

**NOTE**

Under the AML Framework, Firm shall:

1.1	Submit Form A by July 31, 2020 (i.e. First submission)	Submit Form A in accordance with the requirements of the Transitional Provisions of the AML Framework. Based on the services rendered to (i) existing clients as of the effective date of the AML Framework and (ii) new clients during the period from effective date of the AML Framework to June 30, 2020.
1.2	Subsequently submit Form A by 31 July each year	Subsequently submit Form A annually. Based on the services rendered to clients during the period of last 12 months, i.e. 01 July to 30 June.

**Annual Return  
Form B**

(Required to be submitted by the Reporting Firms under the AML Framework)

	Response	Explanation
<b>1 Reporting Firm</b>		
1.1 Name of the Reporting Firm: <i>(Mention firm name)</i>		
1.2 Period of Form B of the Annual Return: <i>(Mention the period 'from - to', information in Form B covers)</i>		
1.3 Date of last submitted Form B of Annual Return (if any): <i>(Date)</i>		
1.4 Date of Institute's last AML/CFT review of the Reporting Firm: <i>(Date)</i>		
1.5 Has the Reporting Firm been asked to provide AML/CFT relating information to FMU/ Government agencies/ court of law? <i>(Yes / No)*</i>		
<b>2 AML/CFT Risk Assessment</b>		
2.1 Has the Reporting Firm carried out a AML/CFT risk assessment? <i>(Yes / No)*</i>		
2.2 When was the most recent AML/CFT risk assessment completed and documented? <i>(Please mention the date)</i>		
2.3 Has the Reporting Firm considered the latest National Risk Assessment (NRA) (subject to its availability by the relevant government authority) while assessing its risks relating to ML and TF? <i>(Yes / No)*</i>		
<b>3 AML/CFT Programme</b>		
3.1 Does the Reporting Firm have written policies and procedures, designed to detect ML/TF, relating to:  - Customer due-diligence and On going Monitoring <i>(Yes/No)*</i> - Reporting knowledge or suspicion of money laundering <i>(Yes/No)*</i> - Record-keeping <i>(Yes/No)*</i> - Risk assessment and management <i>(Yes/No)*</i> - Employee hiring and ongoing training <i>(Yes/No)*</i> - Compliance management <i>(Yes/No)*</i>		
3.2 Does the Reporting Firm have procedures to identify and verify the identity of—  - A new client (including the client's beneficial owners or any person acting on behalf of a client)? <i>(Yes/No)*</i>  - A person seeking to conduct an occasional transaction or occasional activity through the Reporting Firm? <i>(Yes/No)*</i>  - Existing clients, according to the level of risk involved, if there has been a material change in the nature or purpose of the business relationship and Reporting Firm considers that it has insufficient information about the client? <i>(Yes/No)*</i>		
3.3 Has the Reporting Firm designed exception handling procedures for issues related to customer due diligence? <i>(Yes/No)*</i>		
3.4 Has the Reporting Firm provided relevant partners and relevant staff with appropriate training of AML / CFT? <i>(Yes / No)*</i>		
3.5 When was the most recent internal review of Reporting Firm's AML/CFT programme completed? <i>[Date]</i>		
3.6 Were significant deficiencies identified by the Reporting Firm during the most recent internal review of Reporting Firm's AML/CFT programme? <i>(Please mention the deficiencies noted)</i>		
<b>4 Specified services</b>		
4.1 Has the Reporting Firm acted as a formation agent of legal persons or arrangements? <i>(Yes / No)*</i>		
4.2 If you answered "yes", please mention how many of the following entities have been formed. <i>(Circle the estimated number)</i>		

	Number of entities			
Companies	0	1-5	6-15	25+
Trusts (excluding NGOs)	0	1-5	6-15	25+
Partnerships	0	1-5	6-15	25+
NGOs (including charitable trusts, societies and other charitable entities)	0	1-5	6-15	25+
Other [Please specify]	0	1-5	6-15	25+

4.3 Has the Reporting Firm incorporated companies or formed trusts or other legal structures or arrangements in jurisdictions outside Pakistan? (Yes/No)\*

4.4 Has the Reporting Firm rendered the services by arranging for a person to act as a nominee director or trustee in relation to legal persons or legal arrangements? (Yes/No)\*

4.5 If you answered "yes", please mention the number of:

Nominee directorship roles: [Number]

Trustee roles: [Number]

4.6 If you answered "yes", please mention how many of the entities (where the firm has any of the above roles) were formed/established by the Reporting Firm. (Number)

4.7 Has the Reporting Firm provided a registered office or a business address, a correspondence address, or an administrative address for a company, or a partnership, or any other legal person or arrangement? (Yes/No)\*

4.8 If you answered "yes", please encircle the number of companies, partnerships, or other legal persons or arrangements that Reporting Firm provides these services to. (Encircle the number)

	Number of entities			
Companies:	0	1-5	6-15	25+
Trusts (excluding charitable trusts)	0	1-5	6-15	25+
Partnerships	0	1-5	6-15	25+
NGOs (including charitable trusts, societies and other charitable entities)	0	1-5	6-15	25+
Other: [specify]				

4.9 Has the Reporting Firm managed client funds (other than sums paid as fees for professional services), accounts, securities, or other assets? (Yes / No)\*

4.10 If you answered "yes", estimate the value of funds managed. (Circle the estimated value of funds managed)

(Rupees)			
0	1 - 100,000	101,000 - 1,000,000	1,000,000+

4.11 Has the Reporting Firm provided following services by engaging in or giving instructions on behalf of a client to another person for:

(a) A transfer of beneficial interest in land or other real estate property. (Yes/No)\*

(b) A transaction on behalf of any person in relation to the buying, transferring, or selling of a business or legal person (for example, a company) or any other legal arrangement. (Yes/No)\*

(c) A transaction on behalf of a client in relation to creating, operating, and managing a legal person (for example, a company) or any other legal arrangement. (Yes/No)\*

4.12 Estimate the total value of the transactions listed in 4.11 above (excluding your professional fees). (Circle the total estimated value)

(Rupees)			
0	1 - 1,000,000	1,000,001 - 3,000,000	3,000,000+

4.13 Did the Reporting Firm introduce any new product, service, technology relating to accountant or trust & company service provider? (Yes/No)\*



4.14 If you answered "yes", please specify the new product, service or technology relating to AML/CFT regulated services under the AML Framework?

4.15 When providing AML/CFT regulated services, has the Reporting Firm used intermediaries or agents in Pakistan or outside Pakistan? (Yes/No)\*

## 5 Clients

5.1 Has the Reporting Firm undertaken customer-due diligence (CDD) of all new clients? (Yes/No)\*

5.2 Has the Reporting Firm undertaken CDD of existing clients, according to the level of risk involved, if there has been a material change in the nature or purpose of the business relationship and the Reporting Firm considers that it has insufficient information about the customer? (Yes/No)\*

5.3 How many clients the Reporting Firm conducted CDD in the course of carrying out AML/CFT regulated services under the AML Framework: [Mention the number]

5.4 How many of the clients are:

- classified as politically exposed persons (PEP). (Include clients that are beneficially owned or are controlled by, or for the benefit of, a PEP): [number]
- a trust or another vehicle for holding personal assets: [number]
- an overseas government body: [number]
- a Pakistan resident individual: [number]
- a Pakistan resident entity (including companies, partnerships, trusts, charities, and other incorporated or unincorporated entities): [number]
- a non-resident individual: [number]
- a non-resident entity (including companies, partnerships, trusts, charities, and incorporated societies):

5.5 Has the Reporting Firm provided AML/CFT regulated services under the AML Framework to other DNFBPs? (Yes / No)\*

5.6 Has the Reporting Firm identified any client from the FATF designated 'high-risk' countries? (Yes / No) \*

5.7 Has the Reporting Firm carried out screening of existing clients, after issuance of notification/SRO by the Ministry of Interior/ NACTA or Ministry of Foreign Affairs relating to designated and proscribed persons. (Yes / No) \*

5.8 If answer to above is 'yes', please mention the number of times the screenings have been carried out. (Number)

5.9 Has the Reporting Firm identified any designated / proscribed person during CDD screening procedures? (Yes / No) \*

5.10 If answer to above is 'yes', did the Reporting Firm take action under the AML Framework and AML law (including immediate reporting to relevant government agencies)? (Yes / No) \*

5.10 Has the Reporting Firm rejected client(s) due to incomplete / negative CDD? (Number)

5.11 Has the Reporting Firm outsourced any CDD requirements to third parties? (Yes/No)\*

## 6 Record Keeping

6.1 Has the Reporting Firm complied with the record keeping requirements of the AML Framework? (Yes / No) \*

## 7 Reporting

7.1 Did the Reporting Firm file STR with the FMU? (Mention number of STR(s) filed, if any)

7.2 Did the Reporting Firm file CTR with the FMU? (Mention number of CTRS filed, if any)

7.3 Has the Reporting Firm been required to report any matter under the AML or CFT legislations to a government agency or court of law. (Yes / No)\*

## 8 Supplementary questions

8.1 Does the Reporting Firm accept cash or bearer cheque (physical currency) as a payment of professional fee? (Yes/No)\*

8.2 Has the Reporting Firm sent/received funds from other countries (including the payment of fees either on own behalf or on behalf of someone else)? (Yes/No)\*

8.3 If you answered "yes", estimate the total value of transactions: (Mention the estimated total value of transactions for the past year)



**Declaration and signature**

I confirm that I have the authority to submit this form on behalf of the Reporting Firm (name of the firm). I have reviewed the answers and information and I confirm that I am satisfied that, to the best of my knowledge, after undertaking all reasonable inquiries, all answers are true and correct.

Date:

Signature:

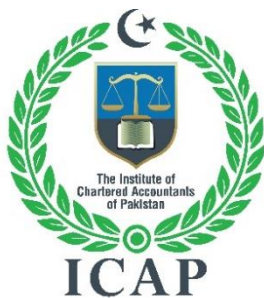
Full name:

Position:

**NOTE**

1. Under the AML Framework, the Reporting Firm shall:

1.1	Submit Form B by August 15, 2020 (i.e. First submission)	Submit Form B in accordance with the requirements of the Transitional Provisions of the AML Framework. Based on the AML/CFT regulated services that are provided to (i) existing clients as of the effective date of the AML Framework and (ii) new clients during the period from effective date to June 30, 2020.
1.2	Subsequently submit Form B by 15 August each year	Subsequently submit Form B annually by 15 August. Based on the AML/CFT regulated services provided to clients during the period of last 12 months, i.e. 01 July to 30 June.



## Directive 4.25 (Revised 2025)

### AUDIT PRACTICE REVIEW & SUPPORT PROGRAM (APRSP)

The Institute of Chartered Accountants of Pakistan being a member of the International Federation of Accountants (IFAC) needs to mandatorily comply with Statements of Membership Obligations (SMOs) issued by IFAC.

IFAC's SMO-1 *Quality Assurance* requires that a mandatory quality assurance review system should be in place for firms performing Audit, Assurance and Related Services to ensure that the firms and its partners comply with all applicable professional standards with particular emphasis on strengthening the quality of audit assignments. Similar programs for ensuring quality of practice are followed by institutes globally including those operating in Bangladesh, Sri Lanka, UK and Malaysia.

ICAP already runs a Quality Control Review (QCR) Program under QCR framework since 2003. The QCR framework covers firms that are engaged in statutory external audits of:

- Public Interest Companies;
- Large Sized Companies; and
- Public Interest and Large Sized Companies which are either associations not for profit or limited by guarantee.

Now the Institute is introducing '**Audit Practice Review & Support Program**' for all the Non-QCR rated firms engaged in Audit, Assurance and Related Services.

The **APRS** Program approved by the Council, after due process, is attached herewith. It outlines:

- (a) Objectives & Scope of the program;
- (b) Selection of firms for review under the Program and the review process;
- (c) Details of Appellate Forums and Appeal Process; and
- (d) Support by the Institute.

The **APRS** Program is effective from October 1, 2020.

The Program can also be accessed at <https://www.icap.org.pk/aprsp/>

**(331<sup>st</sup> meeting of the Council- September 4-5, 2020)**

The Council approved the following changes in the directive:

“6.2.6 The decision of the Forum shall be final unless challenged before the High Court under Clause 6.2.9, a copy of the decision shall be communicated to the appellant with a copy to the Director of Practice Review and the Chairman of the Committee.

6.2.9 Any person aggrieved by the order of the Appellate Forum shall file an appeal before the High Court, within sixty days of the date of such order.”

**(Approved in 376<sup>th</sup> meeting of the Council- December 18-19, 2023)**

The Council approved the following changes in the directive:

- 1) In clause 1.2.7 definition of external reviewer has been added.
- 2) In clause 3.1 it has been added that reviewers shall be appointed as full time or engaged as external practice reviewers.
- 3) Clause 4.3.1(c) has been revised and, require the firm or a member to be subject to full or partial Re-Review. If majority of the reviewed files are unsatisfactory, the firm or member shall undergo a re-review within one year. If one file reviewed is unsatisfactory while the other is satisfactory, and no third file is available for review, the firm or member shall be subject to a re-review within six months or whenever a first new audit engagement is available for review after six months.
- 4) In Clause 4.3.1(e), “two Re-Reviews” has been changed to “one Re-review”.
- 5) Proviso to clause 4.3.1 has been deleted from the framework.
- 6) Clause 6.1.2 has been modified that, the Appellate Forum shall comprise five members appointed by the Council, of which four shall be from the members of the Institute with audit and assurance experience as partners in a QCR-rated firm and one shall be a person who has exercised the powers of, or has been, a judge of a High Court or who is or has been, an advocate of a High Court and is qualified to be a Judge of a High Court. Chairman of the Forum shall be appointed by the Council.
- 7) FAQs have been deleted from the framework.

**(Approved in 389<sup>th</sup> meeting of the Council- October 25, 2024)**

The Council approved the following changes in the directive:

- 1) Clause 4.2.10 has been added to authorize the Director of Practice Review (DPR) to report to the Investigation Committee, without presenting the matter to the Committee, through the Secretary on the following matters relating to non-compliance with the Professional Standards and laws:
  - No audit working paper files available in support of audit opinion.
  - Carrying out audit of entities without being eligible
  - Issuance of an audit report with invalid UDIN or without UDIN

The Director of Practice Review depending on the matter under consideration, in respect of the above, may also present such matters before the Committee instead of reporting the matter to the Investigation Committee directly.

- 2) Clause 4.3.1(e) has been amended that the Committee may direct DPR, in consultation with the Secretary to refer the member to the Investigation Committee.
- 3) Clause 4.3.1(f) has been deleted from the framework.
- 4) Clause 4.3.2 has been deleted from the framework and the clauses have been renumbered accordingly.
- 5) Clause 4.3.4 has been amended that the Investigation Committee and the Council shall proceed on the matters referred by the DPR under clause 4.2.10.
- 6) In Clause 4.3.5 “Director of Practice Review” has been replaced with “DPR”.
- 7) Clause 7.1 has been amended to include “Professional Standards” and that matters can be referred to the Investigation Committee by the DPR under Section 20A of the Chartered Accountants Ordinance, 1961.

**(Approved in 391<sup>st</sup> meeting of the Council- December 20, 2024)**

The Council approved the following changes in the directive:

- 1) In clause 2.2.2, the extension period has been reduced from three months to fifteen days.
- 2) In clause 2.3.5, the notice period to the firm has been increased from 30 days to 60 days.

**(Approved in 395<sup>th</sup> meeting of the Council- February 26-27, 2025)**



**CA**  
PAKISTAN

# **AUDIT PRACTICE REVIEW & SUPPORT PROGRAM**

**[Not Applicable to QCR Rated Firms]**

**September 11, 2020**

## AUDIT PRACTICE REVIEW & SUPPORT PROGRAM (APRSP)

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## Preamble/Background

The Institute of Chartered Accountants of Pakistan (the Institute) is a member of the International Federation of Accountants (IFAC) and Statements of Membership Obligations (SMOs) by IFAC are issued, which are needed to be mandatorily complied by its member bodies. The SMO-1 (Quality Assurance) of the IFAC requires that a **mandatory** quality assurance review system should be in place for firms performing audits of financial statements by virtue of which it should be ensured that the firms and its partners are in compliance with the quality standards for professional assignments. Similar programs for ensuring quality of practice are followed by international institutes globally including those operating in Bangladesh, Sri Lanka, UK and Malaysia.

Building public trust in the work performed by practicing members is one of the key priorities of the Institute, therefore, improvements in the existing practice regime is also one of the strategic objectives approved by the Council of the Institute. Accordingly, the Council of the Institute decided to introduce this **'Audit Practice Review & Support Program'** to ensure maintenance of quality standards of the professional practices. This will ensure that the work carried out by practicing members complies with Professional Standards and is in accordance with the directives of the Council and other laws, regulations and pronouncements of professional bodies as applicable in Pakistan.

The **'Audit Practice Review & Support Program'** provides the application of best practices followed by professional institutes around the world. The **'Audit Practice Review & Support Program'** will run in parallel with the Quality Control Review (QCR) Program and firms which have attained satisfactory QCR rating under the QCR program of the Institute are excluded from the ambit of the **'Audit Practice Review & Support Program'**.

The key features of the **'Audit Practice Review & Support Program'** are as follows:



- (i) Review of engagements to ensure that Audit, Assurance and Related Services rendered by firms, comply with the Chartered Accountants Ordinance, 1961, Chartered Accountants Bye-Laws, 1983, Professional Standards, Training Regulations and Directives of the Council of the Institute;
- (ii) Applicable to - firms carrying out Audit, Assurance or Related Services;
- (iii) Establishment of a Directorate of Practice Review; and
- (iv) Constitution of an Independent Appellate Forum.

The Council believes that the effective implementation of the Program will go a long way in the development of the profession.

# **PART I – SCOPE, DEFINITIONS AND OBJECTIVES**

## 1.1. Scope

The 'Audit **Practice Review & Support Program (APRSP, the Program)** applies to all firms providing Audit, Assurance or Related Services conducted under legal and financial reporting framework as applicable in Pakistan.

This document prescribes the objectives and scope of the Program, composition, responsibilities and functions of the Directorate of Practice Review and the Appellate Forum. The Members' Affairs Committee formed by the Council shall be responsible for carrying out the implementation of the Program.

## 1.2. Definitions

In this framework, unless there is anything repugnant in the context:

1.2.1. **“Additional Practice Review”** means review conducted due to circumstances provided in clause 2.2.6 below;

1.2.2. **“Audit, Assurance and related services partner”** means a partner as identified by the Firm to the Institute;

1.2.3. **“Audit, Assurance or Related Services”** “Audit” means an audit assignment carried out by a Firm in respect of which the audit report is issued under International Standards on Auditing as applicable in Pakistan. “Assurance” means an assurance engagement in respect of which the assurance report is issued under International Standards on Assurance Engagement as applicable in Pakistan. “Related services” refer to assignments performed under the pronouncement of International Audit and Assurance Standards Board (IAASB) on related services. These assignments carried out together or separately are referred to as “Audit, Assurance or Related Services”;

- 1.2.4. **“Chartered Accountant”** means a person who is a member of the Institute;
- 1.2.5. **“Committee”** means the ‘Members Affairs Committee’ formed by the Council of the Institute;
- 1.2.6. **“Director of Practice Review”** means a Chartered Accountant appointed by the Institute under the Program, with post-qualification experience including in a professional QCR rated firm of Chartered Accountants as may be prescribed by the Committee, and may include a Senior Manager of equivalent qualification and prescribed experience appointed in place of the Director, as deemed appropriate;
- 1.2.7. **“External Reviewer”** means a Chartered Accountant engaged to carry out Practice Review of non-QCR firms under this Program on a temporary basis, with a minimum of one-year post-qualification audit experience during last five years.
- 1.2.8. **“Firm”** means a sole practitioner or a partnership of the members of the Institute engaged in providing Audit, Assurance or Related services;
- 1.2.9. **“Non-Reportable Matters”** means matters which are insignificant departures from the requirements of the Program and are not considered as Reportable Deficiencies;
- 1.2.10. **“Partner”** means a Chartered Accountant identified as a partner in a firm of chartered accountants on “Form C” submitted to the Institute.
- 1.2.11. **“Practice Review”** means a review performed under the Program to ensure that the work carried out by the Firm or Member(s) is in compliance

with professional standards and with the requirements mentioned in clause 1.3.1 below;

1.2.12. **“Practice Review Year”** means a period of twelve months commencing on 1<sup>st</sup> July of any year and ending on 30<sup>th</sup> June of following year;

1.2.13. **“Professional Standards”** means the International Standards on Auditing (ISAs), International Standard on Quality Control 1 (ISQC 1), Related Services Pronouncements, Ethical Standards, Directives and Pronouncements issued by the Institute, Legal and Regulatory Framework and other requirements with respect to Audit, Assurance or Related Services as applicable in Pakistan;

1.2.14. **“Public Practice Program” means** a training program prescribed by the Council and to be completed by a practicing member carrying out Audit, Assurance or Related Services.

1.2.15. **“QAB”** means the Quality Assurance Board;

1.2.16. **“Re-Review”** means re-review conducted as prescribed under clause 4.3.1(c) of this Program on the direction of the Committee on some or all of the aspects covered in clause 1.3.1;

1.2.17. **“Reportable Deficiencies”** mean matters which are departures from the requirements of the Program or Professional Standards and are further categorized as either “significant” (e.g. important to the quality of the work performed to support the report issued by the practicing member or important to the usefulness of the financial statements); and

1.2.18. **Reviewer”** means a Chartered Accountant appointed by the Institute to carry out Practice Review under this Program and having post-qualification

experience including in a professional QCR rated firm of Chartered Accountants, as may be prescribed by the Committee.;

Any term not defined under this Program shall have the same meaning as prescribed in the Chartered Accountants Ordinance, 1961 (here-in-after referred to as 'the Ordinance') or the Chartered Accountants Bye-Laws, 1983 (here-in-after referred to as 'the Bye-Laws') or any other Directive or pronouncement of the Institute.

### **1.3. Objective of the APRSP**

1.3.1 The objective of the Program with respect to a firm is to ensure that:

- a) in providing Audit, Assurance or Related Services, a firm complies with Professional Standards; and
- b) it complies with Training Regulations for Firms employing students as given in Council's Directive(s);
- c) Members are compliant with CPD requirements of the Institute.

1.3.2. In order to achieve the above objectives there shall be periodical Practice Review of the Firms. The scope of the Practice Review shall only cover matters noted in 1.3.1 above.

1.3.3. Further, the Program incorporate requirements for members to complete the Public Practice Program prescribed by the Institute in order to properly equip and remain updated with knowledge of the matters related to the public practice concerning Audit, Assurance or Related Services of the firm.

## **PART II - SELECTION AND ARRANGEMENT OF REVIEWS**

## **2.1. Firms subject to Practice Review**

2.1.1. All firms engaged in providing Audit, Assurance or Related Services shall be subject to Practice Review under this Program.

2.1.2. Where the name of the firm is appearing in the list of firms having satisfactory QCR rating, that firm shall be excluded from the purview of this Program. If the name of the firm is removed from the list of firms having satisfactory QCR rating, that firm shall be subject to this Program if it does not apply for review under the QCR Program within one year from the date of removal from the list of firms having satisfactory QCR rating.

2.1.3. A firm may apply for an exemption from Practice Review by filing an Exemption Form in a prescribed format with the Director of Practice Review certifying that:

- a) The firm has not been engaged in Audit, Assurance or Related Services during the two years preceding the end of last financial year; or
- b) The firm will discontinue the provision of Audit, Assurance or Related Services within three months from the date of the notice of Practice Review. However, firms which have provided Audit, Assurance or Related Services to public limited companies (*other than those which are already covered under the QCR Program*) during the preceding one year from the date of Review shall be subject to Practice Review, for that period.

## **2.2. Selection for Review**

2.2.1. A member obtaining a practicing license for the first time and establishing a new firm, either as a sole proprietor or in partnership with others, in which either the sole proprietor or at least one Partner is engaged in providing



Audit, Assurance or Related Services, shall be subject to Practice Review after completing its two years of operation.

2.2.2. A firm, already in practice on the Effective Date of the Program and in which at least one member is engaged in providing Audit, Assurance or Related Services shall be subject to Practice Review at any time after one year of effective date of the Program and thereafter, every two and a half years from the date of its last Practice Review. However, the Director of Practice Review may, on special request of the firm, grant an extension in the Practice Review for a period not exceeding fifteen days, from the date the Practice Review is due to commence.

2.2.3. Up to fifty percent Members who are engaged in providing Audit, Assurance or Related Services in a single firm shall be subject to Practice Review referred to in clause 2.2.2.

Every firm shall ensure that all members engaged in providing Audit, Assurance or Related Services shall be subjected to Practice Review at least once within a period of five years. However, any delay on the Part of Directorate of Practice Review to commence, conduct or complete the Practice Review during the stipulated time shall be excluded from this period.

2.2.4. Notwithstanding anything else contained in this Program, a firm can be subjected to Re-Review in the event, the Committee, through a resolution passed by at least three fourth majority of its members, concludes that a firm or a member has not complied with the requirements specified in clause 1.3.1.

2.2.5. Notwithstanding any previous Practice Review, a Firm can be subject to additional Practice Review, if the Committee so concludes, in the case of a

change in the partnership profile of the Firm. For the purpose of this clause, the term “change” means:

- (i) Induction of new member(s) by a Firm, which constitutes 50% or more of the firm’s total partners’ strength.
- (ii) Change in the role of existing partner(s) who was/were not previously providing Audit, Assurance or Related Services.

The member(s) and or partner(s) referred to in sub clause (i) and (ii) above will be subject to Practice Review after completion of one year from the date of admission, or the change in role, of such member(s) or partner(s) as the case may be.

- (iii) Merger of a firm with another where one of the firms has not been engaged in the provision of Audit, Assurance or Related Services and the partner(s) in such firm has/have not been subject to Practice Review. Such partner(s) shall be subject to Practice Review after completion of one year from the date of merger.

2.2.6 If a case involving a member at the time of commencement of Practice Review, is pending before the Investigation Committee, the Director of Practice Review may, with the approval of the Committee, postpone the Review of the member for the time being to the extent of that particular assignment/client of the firm in respect of which the investigation proceedings are in process. The Practice Review may however, be commenced again with the approval of the Committee.

2.2.7 Notwithstanding, anything contained in clause 2.2.1 to 2.2.6 above, the Director of Practice Review, in consultation with the Chairman of the Committee, may decide to defer the Practice Review if the

circumstances so require. However, in such cases Director of Practice Review shall report the reasons for the consideration and approval of the Committee in its next meeting.

### **2.3. Arrangement of Reviews**

- 2.3.1. The Director of Practice Review shall serve a notice to a Firm indicating that Practice Review of the firm is due.
- 2.3.2. The firm shall complete and file a Planning Questionnaire, in a format prescribed by the Committee, with the Director of Practice Review within 30 days of the notice issued under clause 2.3.1.
- 2.3.3. The Director of Practice Review shall consider the information contained in the Planning Questionnaire submitted by the firm and assign one or more Reviewer(s) to conduct the review.
- 2.3.4. The Director of Practice Review shall give notice in writing in a form to be prescribed by the Committee giving the name(s) of the assigned Reviewer(s) and the commencement date of a firm's review.
- 2.3.5. The notice shall be served upon the firm at least 60 days prior to the commencement date or such shorter period as may be mutually agreed by the firm and the Director of Practice Review.
- 2.3.6. Within 15 days of receipt of the notice pursuant to clause 2.3.4, the firm may file an objection in writing to the named Reviewer(s) for any other valid reason.
- 2.3.7. The Director of Practice Review, in consultation with the Chairman of the Committee, shall consider the objection and may assign another Reviewer(s) on being satisfied that there is a reasonable basis for the objection.

**PART III - DIRECTORATE OF PRACTICE  
REVIEW**

### **3.1. Establishment of the Directorate of Practice Review (DPR)**

There shall be a DPR in the Institute for carrying out the activities and functions under the Program. The DPR shall be headed by a Director or Senior Manager, Practice Review appointed by the Council as it may deem appropriate. There will be other staff and reviewers appointed by the Committee. The reviewers shall be appointed as full time or engaged as external practice reviewers.

### **3.2. Functions and responsibilities of the DPR**

3.2.1. The Director of Practice Review shall have the following functions and responsibilities:

- a) to ensure adequate and effective implementation of Practice Review in accordance with this Program;
- b) to ensure conduct of Practice Review is in accordance with the procedure laid down;
- c) to seek guidance of the Committee in respect of matters where the Director of Practice Review feels that explicit guidance is not available in the Program. The Committee shall decide on the matter expeditiously within a period not exceeding 60 days of the receipt of such matter or enquiry. Any matter not specifically covered under this Program shall be referred to the Council for advice;
- d) to finalize the Practice Review report in consultation with the Reviewer(s) for submission to the Committee;
- e) to work as secretary of the Committee;

- f) to maintain record of all reviews, by name of the firm, partner, location, period covered, date of review etc.
- g) to represent the Directorate at the Appellate Forum;
- h) to maintain an updated list of members and firms subjected to practice review, conclusions and actions taken; and
- i) to appoint, with the approval of the Secretary, any individual on a fee and authorize him/her to perform Practice Review under this Program.

3.2.2. The Director of Practice Review shall report functionally to the Committee through its Chairman and administratively to the Secretary.

### **3.3. Powers of the Reviewer**

3.3.1. A Reviewer shall have the following powers:

- a) to review files, record and other information of a firm under review;
- b) to require the firm to provide information and produce documents necessary for the purposes of Practice Review;
- c) to report the findings of the Practice Review at its conclusion to the Committee through Director of Practice Review;
- d) to assist Director of Practice Review in presenting the “Report of Review” to the Committee; and
- e) to assist Director of Practice Review to make representations before the Appellate Forum, if required.

## **PART IV -THE REVIEW PROCESS AND REPORT**

## 4.1. Review Process

4.1.1. The Practice Review shall be conducted in accordance with the procedure laid down in this Program.

4.1.2. On the commencement date of the Practice Review, the Reviewer shall attend at the office of the Firm, or any other location as may be agreed with the firm. In conducting the Practice Review, the Reviewer shall consider:

- a) documentation and implementation of the quality control system of the Firm;
- b) current engagement files (covering Audit, Assurance or Related Services) of last completed assignments provided that, in case of private limited companies, selection preference would be given to engagement files of companies having share capital exceeding Rupees fifty million or annual turnover exceeding Rupees one hundred million;
- c) compliance with Professional Standards;
- d) compliance with the provisions of the Ordinance, Byelaws and Directives of the Institute;
- e) compliance with training regulations of the Institute;
- f) compliance with laws and regulations as applicable in Pakistan, related to Audit, Assurance and Related services;
- g) that the practicing members carrying out Audit, Assurance or Related services of the firm have attended the Public Practice Program once in three years; and



h) Compliance with CPD program/directive of the Institute.

4.1.3. The Reviewer shall select two engagement files to be reviewed for each partner or sole proprietor engaged in audit, assurance and related services of the firm. However, the Reviewer may, if deemed necessary, select additional files to be reviewed with reasons to be recorded in writing duly concurred by Director of Practice Review. The Reviewer shall consider the following factors regarding selection of files:

- a) the degree of reliance, if any, to be placed on quality controls;
- b) the size of the firm; and
- c) level of risk involved in the engagement.

4.1.4. The Reviewer shall use a Practice Review checklist duly approved by the Committee to ensure that requirements of the Program have been met. The format of the checklist shall be placed on the Institute's website for the information of members of the institute.

## **4.2. Review Report**

4.2.1. At the conclusion of the Practice Review, the Reviewer shall prepare a draft report within 30 days, setting out Reportable Deficiencies and Non-Reportable Matters.

4.2.2. After completion of the review, the Reviewer shall discuss the Reportable Deficiencies, if any, in the draft report with a representative of the Firm and may revise the draft report.

4.2.3. The Director of Practice Review shall discuss the draft report with the Reviewer to ensure that all Reportable Deficiencies have been adequately

identified and appropriately reported and the draft report conforms to the requirement of the Practice Review.

4.2.4. The Director of Practice Review may also discuss the report with the Firm.

4.2.5. On conclusion of the review by the Director of Practice Review, the draft report will be delivered to the firm for comments to be provided within 21 days.

4.2.6. The Director of Practice Review or a Reviewer may require the firm to provide written confirmation of any actions planned by the firm to address deficiencies.

4.2.7. If the Firm disagrees with a Reportable Deficiency listed in the report, it may provide explanation and documentation to support its position.

4.2.8. The Director of Practice Review or a Reviewer may amend the draft report as appropriate, taking into consideration any matters arising from clause 4.2.3 to clause 4.2.7, concluding with recommendations as to a course of action and submit the final report to the relevant bench of the Committee for review.

4.2.9. The Director of Practice Review shall communicate the decision of extending satisfactory report or otherwise of the Committee or the Council as appropriate within fifteen days of the decision, to the firm.

4.2.10 The Director of Practice Review is authorized to report to the Investigation Committee, without presenting the matter to the Committee, through the Secretary on the following matters relating to non-compliance with the Professional Standards and laws:

- No audit working paper files available in support of audit opinion.
- Carrying out audit of entities without being eligible
- Issuance of an audit report with invalid UDIN or without UDIN

The Director of Practice Review depending on the matter under consideration, in respect of the above, may also present such matters before the Committee instead of reporting the matter to the Investigation Committee directly.

#### **4.3. Consideration and Determination by the Committee**

4.3.1. The Committee shall consider the report and matters pertaining to the Practice Review, or of a Re-Review, and may take one or more of the following actions:

- a) deem the Review or Re-Review complete and ratify the report of Practice Review;
- b) require the firm to provide further written submissions on the intended correction of any identified deficiencies along with action plan in a prescribed format, and consider the matter further once such submissions have been received or the time for making submissions has expired;
- c) require the firm or a member to be subject to full or partial Re-Review. If majority of the reviewed files are unsatisfactory, the firm or member shall undergo a re-review within one year. If one file reviewed is unsatisfactory while the other is satisfactory, and no third file is available for review, the firm or member shall be subject to a re-review within six months or whenever a first new audit engagement is available for review after six months;

- d) require the firm or a member to undertake certain specified actions in order to improve the overall standards of the Firm to ensure that it conforms to the requirements of the Program;
- e) subject to the approval of three-fourth majority of the members of the Committee direct the Director of Practice Review (DPR) in consultation with the Secretary to refer the member to the Investigation Committee for investigation, where the member has failed to implement the action plans and improve the standard of work after one Re-Review.

4.3.2. In determining the action to be taken pursuant to clause 4.3.1, the Committee may consider, but will not be limited to, the following matters:

- a) the degree to which the requirements of the Practice Review have been met;
- b) the nature and severity of any identified deficiencies;
- c) the cooperation of the firm or member;
- d) implementation of action plan submitted as a result of an earlier Practice Review or Re-review as the case may be; and
- e) public interest;

4.3.3. A decision made by the Committee pursuant to clause 4.3.1(e) shall be final unless a firm or a member files an appeal under Part VI of this Program. Action taken or proposed to be taken against any partner of a firm under this Program shall be limited to such partner without any negative implications on other partner(s) of the firm or on the firm as a whole.

4.3.4. The Investigation Committee and the Council shall proceed on the recommendation of the Committee, or matters referred by the DPR, referred to in sub clause 4.3.1(e) and 4.2.10 in accordance with the provisions of investigation envisaged in the Ordinance and Bye-laws of the Institute.

- 4.3.5. The Committee shall ensure that its decision pursuant to clause 4.3.1(e) is communicated in writing to the firm or member through the DPR within fifteen days from the date of such decision.
- 4.3.6. Each Member covered in a review shall be awarded 20 CPD credit hours after the successful completion of the Practice Review.

## **PART V - RETENTION AND CONFIDENTIALITY**

## **5.1. File Retention**

5.1.1. Any file created during a Practice Review shall be retained until the Practice Review has been deemed complete by the Committee and thereafter for a period of twelve months after the conclusion of Practice Review Year in which the Practice Review was completed. However, if a firm or a member makes an appeal under this Program against the decision of the Committee, all files and documentation relevant for the Practice Review shall be retained by the Firm, and the Institute till the case attains finality or for a period of twelve months as described above whichever is later.

5.1.2. Notwithstanding clause 5.1.1, the Institute shall at minimum retain information required for administrative purposes till next Practice Review date of the firm, including:

- a) evidence that a Practice Review has been completed;
- b) documentation identifying the firm or the member and client files reviewed;
- c) documentation that may assist in future review planning; and
- d) any other documentation as required by the Committee.

## **5.2. Confidentiality**

5.2.1. A member of the Committee, or any person acting on its behalf, or the Director of Practice Review or any Reviewer, or a staff member of Directorate of Practice Review, shall not make use of or disclose the contents of any report, files, working paper files, books, documents or other material reviewed, or any confidential information concerning the affairs of any firm or a member or of its clients obtained in the course of a Practice Review to anyone, except to the Director or Directorate of the Practice Review, the Committee, the Appellate Forum and or the Council as required under this Program.

## **PART VI - Appeal**



## **6.1 - Appellate Forum**

- 6.1.1 Two Appellate Forums (the Forum) shall be constituted by the Council under the Program to provide grievance mechanism to firms or members not satisfied with the outcome of the Practice Review, one each for the Northern and Southern Regions.
- 6.1.2 The Forum shall comprise five members appointed by the Council, of which four shall be from the members of the Institute with audit and assurance experience as partners in a QCR-rated firm and one shall be a person who has exercised the powers of, or has been, a judge of a High Court or who is or has been, an advocate of a High Court and is qualified to be a Judge of a High Court. Chairman of the Forum shall be appointed by the Council.
- 6.1.3 The members of the Committee or of the Council shall not be nominated on the Forum. A cooling off period of two years shall be required for eligibility to be appointed at the Forum for the former members of the Committee or of the Council.
- 6.1.4 The quorum for a meeting of the Forum shall be the majority of its members. In case the Chairman is unable to attend the meeting, the members present shall decide amongst themselves a person to act as Chairman at that meeting.
- 6.1.5 The term of the Forum shall be three years from the date of its constitution.
- 6.1.6 No member of the Forum shall serve for more than two consecutive terms of three years each.
- 6.1.7 A member retiring after serving two consecutive terms shall be eligible for reappointment, after two years from the date of retirement.

## **6.2. Filing of Appeal**

- 6.2.1 Any member or a firm aggrieved by the decision of the Committee shall have a right to appeal before the Forum within 30 days of such decision having been communicated to the member or the firm, on the prescribed form and accompanied by such documents and information as may be prescribed.
- 6.2.2 The Forum shall, at the request of the applicant, or on its own motion give a personal hearing to the aggrieved member or authorized representative of the firm, who must either be a lawyer or a member of the Institute.
- 6.2.3 The Committee shall authorize any of its members or any representative to attend the hearing on its behalf.
- 6.2.4 Director of Practice review and Head of Legal is also entitled to attend the hearing of the Forum, if he so desires;
- 6.2.5 The Forum shall have the power to confirm, vary or reverse the original recommendation/decision of the Committee that has been appealed. The Forum can also remand the case to Director of Practice Review with directions;
- 6.2.6 The decision of the Forum shall be final unless challenged before the High Court under Clause 6.2.9, a copy of the decision shall be communicated to the appellant with a copy to the Director of Practice Review and the Chairman of the Committee.
- 6.2.7 The Forum shall preferably dispose of the appeal within 60 days from the date of filing of appeal.
- 6.2.8 During the process of appeal, the Forum can grant relief to the firm or member suspending the decision of the Committee.
- 6.2.9 Any person aggrieved by the order of the Appellate Forum shall file an appeal before the High Court, within sixty days of the date of such order.

## **PART VII - MISCELLANEOUS**

## **7.1 Failure to Comply**

7.1.1 Failure to comply with any provision of this Program, including a failure to comply with Professional Standards, any decision or requirement of the Committee, can be referred by the DPR to the Investigation Committee of the Institute under Section 20A of the Chartered Accountants Ordinance, 1961.

## **7.2 Amendments/ Removal of Difficulties/ Effective Date**

7.2.1 This Program may be altered or amended, by the Council.

7.2.2 The Council may provide guidance on matters not specifically covered under this Program.

7.2.3 This Program shall become effective from October 1, 2020.

## **PART VIII – SUPPORT BY THE INSTITUTE**

## **8.1 TECHNICAL HELPLINE**

A Technical Helpline has been established on the Institute's website, where members can post their queries in relation to financial reporting, auditing or ethics related matters. Guidance will also be provided through this helpline in respect of matters arising from the provisions of this Program. The Helpline may be accessed by visiting the Institute's website <http://www.icap.net.pk/your-technical-helpline> .

**UNIQUE DOCUMENT IDENTIFICATION NUMBER (UDIN)**

- 1) In accordance with the powers conferred under Section 27(2) (kk) of the Chartered Accountants Ordinance, 1961 read with Bye-Law 129A of the Chartered Accountants Bye-Laws 1983, the Council of the Institute of Chartered Accountants of Pakistan decided to issue the following directive for compliance by practicing members of the Institute, providing audit and assurance services.
- 2) In order to enhance the trust of public in the auditors' reports that these have been issued by authorized practicing chartered accountants, the Institute has decided that auditors' report shall carry Unique Document Identification Number (UDIN) issued by the Institute.
- 3) Unique Document Identification Number (UDIN) is a unique 20-digit auto generated alpha numeric number. UDIN shall be placed/printed below the Date and Place on the following reports issued by the authorized practicing chartered accountant of the Institute, at the time of signing the reports:
  - a) Auditors' Report on General Purpose Financial Statements;
  - b) Auditors' Review Report on Interim Financial Information; and
  - c) Auditors' Review Report on Statement of Compliance with the Code of Corporate Governance.
  - d) *Audit report on Regulatory Returns of Insurance Company*
- 4) The engagement partner will obtain UDIN through his own login for each report.
- 5) The objective of UDIN is to:
  - i. Provide ease of e-verification to the users of the Auditors' Reports mentioned in this Directive, whereby they can verify the authenticity of auditors' reports from ICAP's UDIN portal.
  - ii. Prevent counterfeiting of Audit Reports and Review Reports.
- 6) All of the above types of reports, which are issued on or after the following dates on the financial statements of the following entities, must bear the UDIN:
  - i) Public Interest Companies: January 1, 2022
  - ii) All other types of entities: July 1, 2022

- 7) The requirement for placing UDIN on the reports mentioned in para 3 above shall not apply to reports for the period ended 30th September, 2021 or earlier.
- 8) Non-compliance of this Directive will result in professional misconduct under Clause (3) of Part (4) of Schedule I of the Chartered Accountants Ordinance, 1961.

**[Approved by the Council in its 351<sup>st</sup> Meeting held on December 29, 2021]**

The Council approved that the term mentioned “Public Interest Entities” in para 6(i) should be read as “Public Interest Companies”.

**[Approved by the Council in its 352<sup>nd</sup> Meeting held on January 14, 2022]**

Clause 5 i amended to allow access to UDIN portal to all users of Auditors’ Reports for verification of the authenticity of the Reports.

**[Approved by the Council in its 376<sup>th</sup> Meeting held on December 18-19, 2023]**

Bullet (d) added in Clause 3 to include Audit report on Regulatory Returns of Insurance Company in the list of reports that require UDIN.

**[Approved by the Council through circular resolution dated April 3, 2024]**



**CERTIFICATE OF PRACTICE (CoP) CONDITIONS AND PROCESS FOR ISSUANCE,  
RENEWAL AND RESTORATION**

In accordance with powers conferred under Section 6(1), 15(1), 15(2)(e) and 15(2)(i) of the *Chartered Accountants Ordinance, 1961* (CA Ordinance) read with Bye-Laws 8, 109 (5), 129A of the *Chartered Accountants Bye-Laws, 1983*, and to implement *Licensing Control under Anti Money Laundering and Combating the Financing of Terrorism* the Council of the Institute (ICAP) is pleased to direct conditions and processes related to practice certificate are as follows:

**CERTIFICATE OF PRACTICE (CoP) – NEW**

1. A member may apply for CoP to:
  - a. practice as proprietor; or
  - b. as partner of a partnership firm registered with the Registrar of Firms under the Partnership Act, 1932.
2. Application for new CoP shall be submitted along-with the following as per Form-E including all the declarations attached to the said Form including AML Declaration:
  - a. Evidence of release from the employment
  - b. Explanation about any career break
  - c. Evidence of full payment of prescribed fee as per Directive 3.01 and 25% fee for advance renewal of CoP for the period July 1 to September 30 next following.
  - d. Evidence of registration with the Registrar of Firms under the Partnership Act, 1932, if applying to practice as partner of a firm established in Pakistan.
  - e. If applying to practice outside Pakistan, an undertaking vetted by lawyer that he/she is complying with all the required regulation of the jurisdiction outside Pakistan and is eligible to practice under CoP issued by ICAP.
  - f. If applying to practice outside Pakistan as partner of member or non-member, an undertaking vetted by independent lawyer selected from the panel of lawyers appointed by ICAP in the respective jurisdiction at their own cost, that the firm/member is complying with all the required regulation of the jurisdiction outside Pakistan.
3. After scrutiny of the documents submitted by the member and due enquiry of the case, approval for grant of CoP shall be made and a certificate to this effect shall be issued effective from the date of approval by the competent authority. The application of CoP may be declined if the requirements of CA Ordinance, Bye-laws and Directives have been not complied with.
4. The CoP shall mention name(s) of firms established in Pakistan. The CoP shall not mention name(s) of firm established outside Pakistan of non-members, being a firm not regulated by the Institute. Accordingly, Directive 4.06 shall not be applicable. However, CoP shall mention that member is a partner in a foreign firm.
5. CoP shall be valid until the June 30 next following. There shall be a issued a renewal certificate along with CoP for the period from July1 to September 30, next following for which 25% of the fee shall be charged.
6. The validity shall be extended for the period from October 1 of the current calendar year to September 30, next calendar year upon compliance with the requirement of renewal given in this Directive.

## **B. CERTIFICATE OF PRACTICE – ASSOCIATION WITH ANOTHER FIRM**

7. A CoP holders may practice maximum in two firms within and outside Pakistan as follows:
  - a. Practicing as sole proprietor, he/she may also associate with a partnership firm; or
  - b. Practicing as partner of a firm, he/she may also associate with another partnership; or
  - c. Practicing as partner of a firm, he/she may also establish his/her sole proprietorship
8. Application for new CoP for association with another firm [Form-E1] shall be submitted along-with evidence of full payment of prescribed fee as per Directive 3.01.

## **CERTIFICATE OF PRACTICE - RENEWAL**

9. All practicing members, shall submit the following by September 30:
  - a. AML Annual Return Form A and Form B (If applicable) himself if practicing as sole proprietor or ensure that his authorized partner(s) submit the same if practicing as partner in firm(s); and himself if partner in a firm outside Pakistan of non-member; and
  - b. Form H1 (Personal information, declarations and undertakings including AML Declaration)
  - c. Evidence for the payment of prescribed fee.
10. Upon submission of application, Renewal of Practicing Certificate shall be issued to member and same shall be effective from October 1 and shall be valid until September 30 of the next calendar year.
11. If a member fails to fulfill the requirement for renewal of CoP by September 30, his/her CoP shall be suspended from October 1 and his/her access to UDIN portal shall be revoked. The suspensions shall be without any notice. The same shall be notified to the suspended CoP holder and /or firm as the case may be, while specifying that such suspended member shall remain partner of the firm. Furthermore, such suspension shall be mentioned against his/her name on the list of practicing members until removal of such suspension.
12. The member may apply the removal of suspension by September 30 of the next calendar year. However, suspension due to non-submission of AML Annual Return(s) will continue until September 30 of the following year unless otherwise approved by the AML Supervisory Board of ICAP.
13. On the first day of October of next calendar year, the suspended CoP shall be revoked and name of member shall be removed from the list of practicing members. The same shall be notified to the member and/or to the firm.
14. Such member shall be required to return the original CoP to the Secretary.

### **Transition for 2024-25**

15. All CoPs and RPCs issued for the year 2024-25 shall be deemed to have been renewed for the period from July 1 to September 30, 2025 against the payment of 25% of the fee applicable on July 1, 2025. The member shall be required to pay the said fee by September 30, 2025 along with the fee due for the period October 1, 2025 to September 30, 2026.

## **CERTIFICATE OF PRACTICE – REMOVAL OF SUSPENSION AND RESTORATION**

### **Removal of Suspension**

16. A member, who intends to remove suspension, may fulfill the pending requirements by September 30 of next calendar year, along with an undertaking [H-2] that he/she has not practiced during the period of suspension.
17. ICAP shall, after due scrutiny of the submitted document, remove the suspension of CoP and shall issue

Renewal of Practice Certificate. The same shall be communicated to the member and /or to the firm.

#### **Restoration**

18. A member, whose CoP has been revoked, may apply for new CoP along with an undertaking [H-2] that he/she has not practiced during the period of revocation. All the conditions applicable on issuance of new CoP shall be applicable in such case.

#### **LICENSING CONTROLS UNDER AML / CFT REGULATIONS**

19. The Anti-Money Laundering Act, 2010 (the AML Act) places certain obligations on the Institute of Chartered Accountants of Pakistan (ICAP), being designated as an AML / CFT Regulatory Authority of its members in the AML Act.
20. ICAP exercises the powers and functions under the AML Act in respect of (i) licensing or registration of reporting entities; and (ii) imposing any conditions to conduct any activities by reporting entities to prevent the offence of money laundering, predicate offence or financing of terrorism.
21. Further, as per Section 3 (2) bb of the “Oversight Regulations for Self-Regulatory Bodies of Accountants, 2020” issued by the Securities and Exchange Commission of Pakistan, “Every SRB shall apply suitable market entry controls to ensure that it does not professionally accredit accountants that are criminals or acting as an associate off criminal, or whose beneficial owner is a criminal or criminal associate”
22. Accordingly, a member applying for CoP or renewal thereof shall submit (a) Specific Declaration; and (b) Annual Return Form and Form B under Licensing Control under Anti Money Laundering and Combating the Financing of Terrorism as a mandatory requirement. ‘Form A’ entails information and details about services provided in the preceding year. Whereas those Chartered Accountant firms offering AML services (as defined under AML Act 2010) must also submit Form B.

#### **REGISTRATION OF FIRM - TRANSITION**

23. All existing firms of chartered accountants are required to be registered with the Registrar of Firms under the Partnership Act, 1932, on or before June 30, 2026.
24. Access UDIN of all partners shall be stopped on non-compliance with this requirement and will be reported to the Investigation Committee.

#### **REFUND OF FEES**

25. The fee for issuance and renewal of CoP is non-refundable, except for where issuance or renewal is denied.

#### **REPEAL**

26. This Directive repeals and replaces the Directive 4.01, Directive 4.26 (Which was effective from January 7, 2020) and 4.28 (Which was effective from January 1, 2022).

#### **EFFECTIVE DATE**

The Directive is applicable from **March 1, 2025**.

**[Approved by the Council in its 395<sup>th</sup> meeting held on February 26-27, 2025]**

**Form 'E' APPLICATION FOR THE ISSUANCE of CERTIFICATE OF PRACTICE (Bye-law 8)  
PERSONAL DETAILS (Directive 4.28)**

Member's Name: (As per ICAP records)	-----		
Father's/Spouse Name	-----		
Date of Birth	-----	Membership Number	-----
CNIC Number:	-----		
Residential Address:			
<b>Cell number</b>	<b>Land Line</b>		
<b>Professional Qualification and Membership</b>			
<b>Training Experience: For those who have undertaken training outside Practices (minimum two years training is required in practice reference of Bye-law 109 )</b>			
Name of Training Organization			
Training Period	From ____/____/____	To	____/____/____
Job Experience	Entity	Position	From:
Up to 5 years			To:
<b>Practice Details</b>			
Practice as:	Sole Proprietor	Partnership Firm	
Trade Name			
Registered Address			
Cell Number		Land line	
Email address			
<b>In case of Practicing with a Foreign Firm outside Pakistan as partner ( with nonmembers) *</b>			
<b>Trade Name</b> (name is not required to be in accordance with Directive 4.06)			
Registered Address			
Cell Number		Land line	

Email address	
---------------	--

**\* In case of ICAP members opting to practice outside Pakistan with a foreign Firm (having non - members as partners), ICAP will grant the CoP to the Member in accordance with the CA Ordinance 1961. However, the firm will not be part of ICAP records and Member will be listed as Practicing member with a foreign firm in ICAP Directory and records.**

**Note – City of residence should be same as the location of office (Directive 4.02)**

**DECLARATION & UNDERTAKING**

Please Attach:

- a. Payment evidence
- b. Copy of CNIC of applicant
- c. If previously employed, submit Employment release letter from the last employer.
- d. In case of Partnership, submit, Registered Partnership Deed
- e. Form ‘C’

I hereby declare that I do not have any disability specified under Section 8 of the Chartered Accountants Ordinance, 1961 and in addition, do not have physical impairment or disability which is likely to affect ability to undertake/continue practice as a Chartered Accountant or Management Consultant.

I also undertake to comply with all the requisite professional and ethical standards and laws, rules and regulations, including but not limited to, the Code of Ethics, Chartered Accountants Ordinance, 1961, Chartered Accountants Bye Laws, 1983, Rules, Directives and applicable accounting and auditing standards.

**Undertaking**

I declare to the best of my knowledge, that all the information, I have given in this Form is correct, I understand that ICAP has the unfettered right to verify and/or confirm the authenticity and accuracy of any and all information provided by me.

**Specific Declaration under Licensing Control under Anti Money Laundering and Combating the Financing of Terrorism**

I, hereby confirm that, to the best of my knowledge and belief I have not been convicted by a competent Court, whether within or outside Pakistan, of an offense involving moral turpitude, money laundering and terrorism financing, and any other criminal offense punishable with transportation or imprisonment; or of an offence, not of a technical nature, committed in professional capacity unless in respect of the offence committed, I have either been granted a pardon or, on an application made in this behalf, the Federal Government has, by an order in writing, removed the disability, for the purpose of obtaining membership.

Signature \_\_\_\_\_ Place: \_\_\_\_\_ Date: \_\_\_\_\_

**APPLICATION FOR ADDITIONAL PRACTICE [E-1]  
(Directive 4.28)**

**PERSONAL DETAILS**

Member's Name: (As per ICAP records)	-----		
CNIC Number:	-----	Membership Number	-----
Residential Address:			
<b>Cell number</b>	<b>Land Line</b>		
Existing Firm Details			
<b>Proposed Practice Details</b>			
Practice as: Please Tick	Sole Proprietor	Partnership Firm (with ICAP members in Pakistan)	Foreign Firm (practice as partner with non-members outside Pakistan)
Trade Name			
Registered Address			
Cell Number		Land line	
Email address			
<b>In case of Practicing with a Foreign Firm outside Pakistan as partner ( with nonmembers) *</b>			
Trade Name (name is not required to be in accordance with Directive 4.06)			
Registered Address			
Cell Number		Land line	
Email address			

**\* In case of ICAP members opting to practice outside Pakistan with a foreign Firm (having non - members as partners), ICAP will grant the CoP to the Member in accordance with the CA Ordinance 1961. However, the firm will not be part of ICAP records but Member will be listed as Practicing member with a foreign firm.**

**Note – City of residence should be same as the location of office (Directive 4.02)**

Declaration

I declare to the best of my knowledge, that all the information I have given in this Form is correct and ICAP has the unfettered right to verify and/or confirm the authenticity and accuracy of any and all information provided by me

Signature \_\_\_\_\_ Place: \_\_\_\_\_ Date: \_\_\_\_\_

Please Attach:

- Payment Receipt
- Copy of CNIC of applicant
- In case of Partnership, submit, Partnership Deed Form 'C'

**PERSONAL AND PROFESSIONAL INFORMATION FOR RENEWAL OF THE CERTIFICATE OF PRACTICE (H-1)**

**(Directive 4.28)**

Member's Name: (As per ICAP records)	_____		
CNIC Number:	_____	Membership Number	_____
Residential Address:	_____		
<b>Cell number</b>	<b>Land Line</b>		
<b>Firm Details</b>			
<b>CPD Record</b>			
Practice as: (Please Tick)	Sole Proprietor	Partnership	Foreign Firm not registered with ICAP *
Name of firm (s):	1) _____ 2) _____		

**\* only for those members who have been given the separate COP for practicing with a foreign firm outside Pakistan**

I have checked and corrected, wherever required, my personal and professional information available with the Institute and hereby confirm that the same are correct to the best of my knowledge.

**Declaration / Undertaking**

I hereby declare that I do not have any disability specified under Section 8 of the Chartered Accountants Ordinance, 1961 and in addition, do not have physical impairment or disability which is likely to affect ability to undertake/continue practice as a Chartered Accountant or Management Consultant.

I also undertake to comply with all the requisite professional and ethical standards and laws, rules and regulations, including but not limited to, the Code of Ethics, Chartered Accountants Ordinance, 1961, Chartered Accountants Bye Laws, 1983, Rules, Directives and applicable accounting and auditing standards.

**Specific Declaration under Licensing Control under Anti Money Laundering and Combating the Financing of Terrorism**

I, hereby confirm that, to the best of my knowledge and belief I have not been convicted by a competent Court, whether within or outside Pakistan, of an offense involving moral turpitude, money laundering and terrorism financing, and any other criminal offense punishable with transportation or imprisonment; or of an offence, not of a technical nature, committed in professional capacity unless in respect of the offence committed, I have either been granted a pardon or, on an application made in this behalf, the Federal Government has, by an order in writing, removed the disability, for the purpose of obtaining membership.

I understand that ICAP has the unfettered right to verify and/or confirm the authenticity and accuracy of any and all information provided by me.

Signature \_\_\_\_\_ Place: \_\_\_\_\_ Date: \_\_\_\_\_

**UNDERTAKING REGARDING PRACTICE DURING SUSPENSION/REVOKED OF  
CERTIFICATE OF PRACTICE (H-2)**

**(Directive 4.28)**

I have not practiced during the period while my Certificate of Practice was suspended/revoked.

Name \_\_\_\_\_

ICAP Membership No. \_\_\_\_\_

Signature \_\_\_\_\_ Place: \_\_\_\_\_ Date: \_\_\_\_\_





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## THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

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**DIRECTIVE 4.29**

**Karachi**

**The Meeting of the Council was held on December 08-09, 2022**

**LEGISLATIVE ACTS AND OTHER INSTRUMENTS**

This Directive is being issued under Section 27 subsection 2 clause kk of CAO, 1961, read with Byelaw 129A of the Chartered Accountants Byelaws, 1983.

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**Subject: Directive on the use of audit documentation software**

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**DIRECTIVE 2022/4.29**

**PASSED BY THE COUNCIL OF**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**Pursuant to powers vested to it under Section 27(2) (kk) of the Chartered Accountants Ordinance, 1961, read with Byelaw 129A of the Chartered Accountants Byelaws, 1983.**

The Council of the Institute is entrusted with the regulation and maintenance of the status and standard of professional qualifications of the members of the Institute.

In Pakistan the most significant Companies that affect the public at large are Public Interest Companies (PICs). Financial statements of PICs are prepared with higher set of requirements under the frameworks prescribed in the Third Schedule to the Companies Act, 2017. There are enhanced regulatory requirements to ensure the quality of compliance for such companies including but not limited to applicability of International Financial Reporting Standards, and audit by only a Quality Control Rated audit firm registered with Audit Oversight Board. Consequently, the audit of financial statements of PICs are subject to oversight by the Quality Assurance Board and Audit Oversight Board.

Because of this increased risk exposure and in view of the importance of PICs, the Council of the Institute decided to improve the quality of audit process for PICs by requiring the adoption of an audit documentation software. The usage of the audit documentation software shall improve efficiency in carrying out the audit engagements and their audit documentation by practicing members as well as streamlining the review and audit process.

All practicing members who will issue auditor's report on the financial statements of a PIC under the requirements of Companies Act, 2017 shall use an audit documentation software that complies with the requirements of International Standards on Auditing (ISAs) for audit documentation supporting the audit opinion in addition to any paper-based documentation considered necessary by the audit engagement partner.

This requirement shall be effective for the audit reports issued:

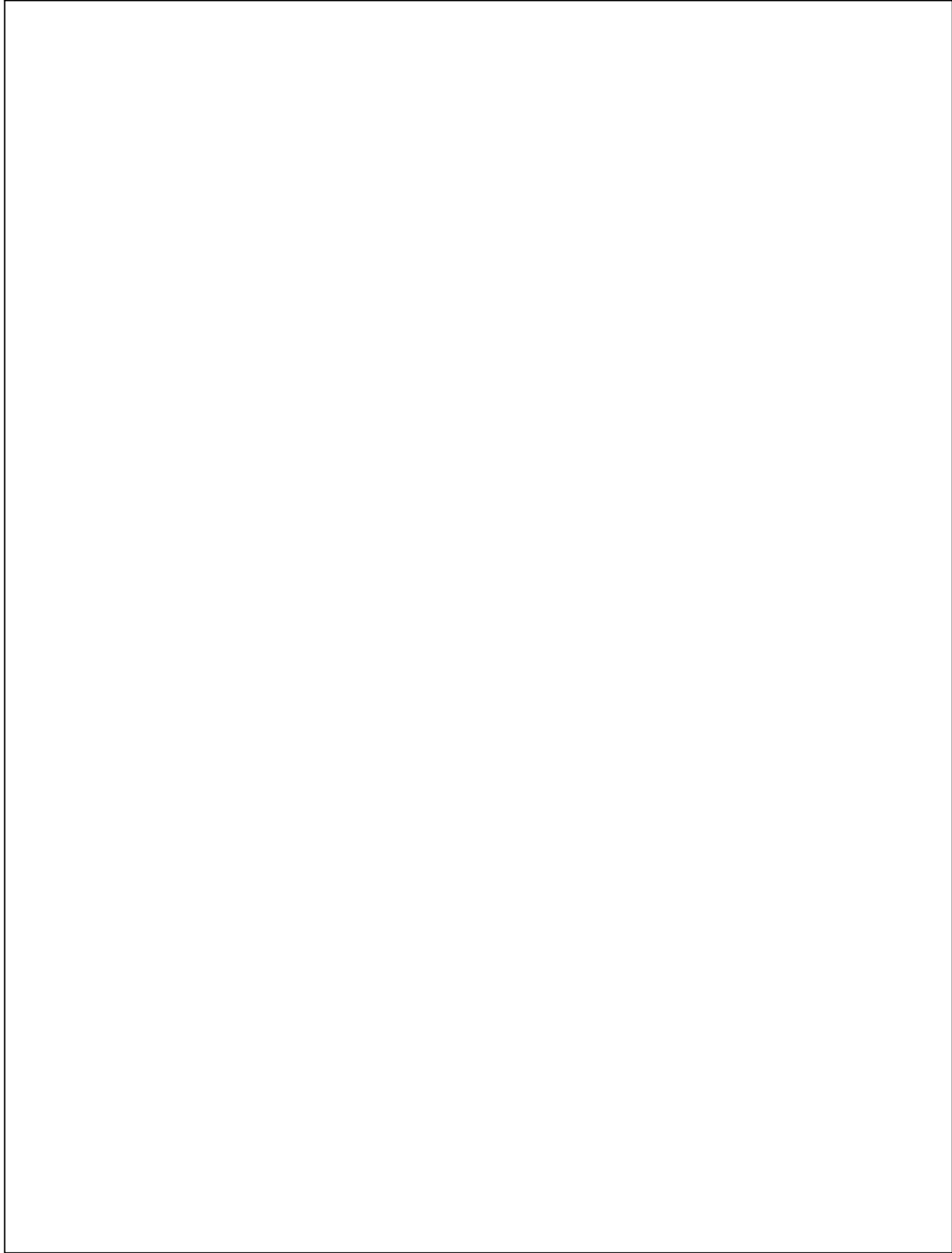
- On the financial statements of PICs for the financial year ending on or after June 30, 2024.

Non-compliance of this directive will result in professional misconduct under Clause (3) of Part (4) of Schedule I of the Chartered Accountants Ordinance, 1961.

**(Approved by the Council in its 363<sup>rd</sup> meeting held on December 08-09, 2022)**

**(5)  
Practice  
Administration as  
Management Consultants**

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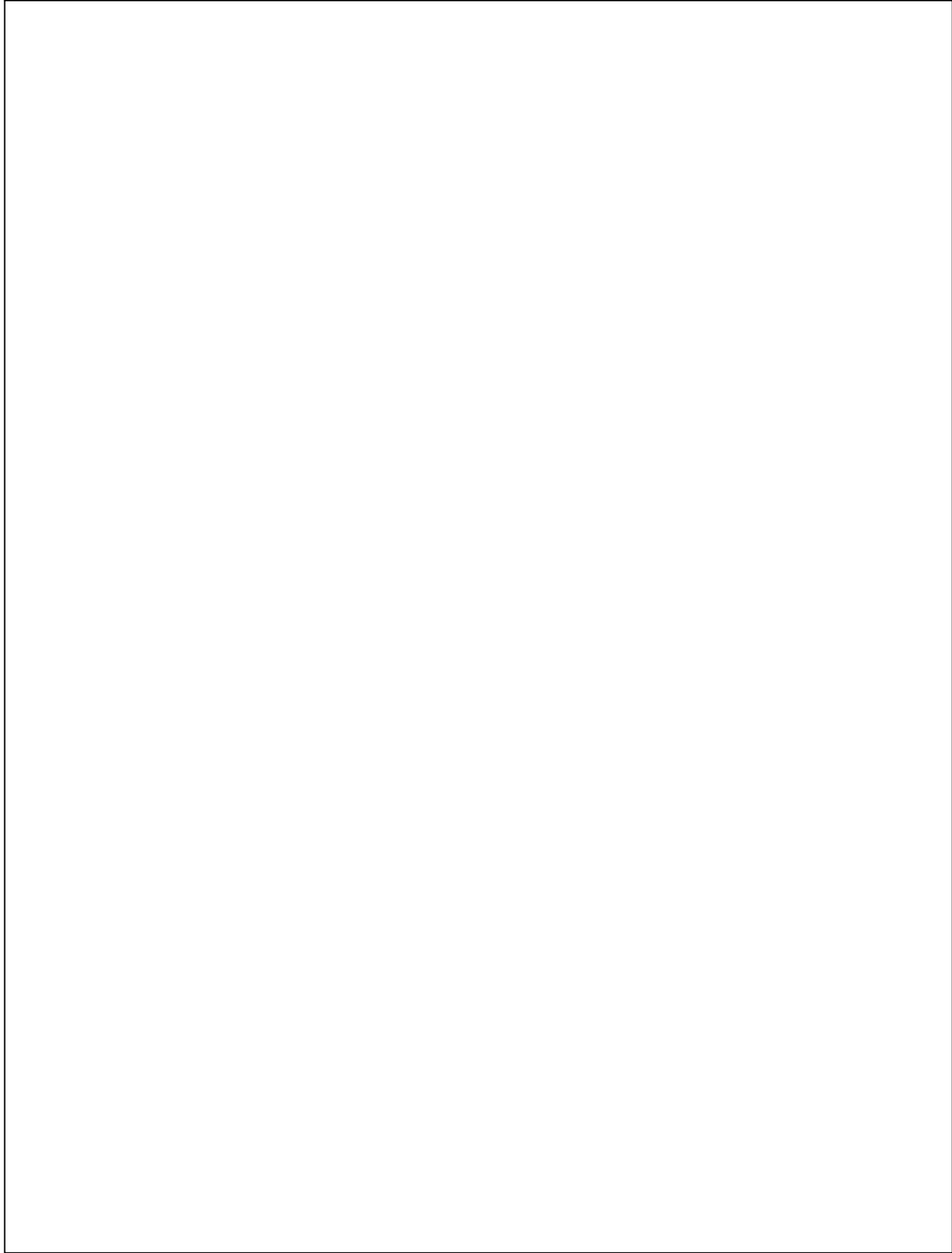


**MEMBERS' HANDBOOK**

**PART IV**

**5. PRACTICE ADMINISTRATION  
AS MANAGEMENT CONSULTANTS**

**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF PAKISTAN**



## **SECTIONAL INDEX**

### **5.0 Practice Administration as Management Consultants**

#### **CONTENTS**

5.01	Engagement in Management Consultancy business
5.02	Formation of Companies for Management Consultancy
5.03	Use of Foreign names for Management Consultancy

## **ENGAGEMENT IN MANAGEMENT CONSULTANCY BUSINESS**

1. A Chartered Accountant can practice either as a Chartered Accountant or only as a Management Consultant as sole proprietor, through a partnership firm or a limited liability company. In case he opts to practice as a Chartered Accountant he can engage in all those functions which a Chartered Accountant in practice undertakes including management consultancy after obtaining the certificate of practice as a Chartered Accountant under Bye-Law 8 of C.A. Bye-laws 1983.

### **Management Consultancy Practice by Chartered Accountants in practice**

2. A Chartered Accountant in practice can also engage in management consultancy practice by forming a separate sole proprietary concern, partnership firm or a company. In case he wishes to associate non-members, he is required to form a company and to undertake that such non-members would observe the bye-laws and code of professional ethics of the Institute.
3. The practicing Chartered Accountants who wish to practice as "management consultants" through a limited liability company can style themselves as "Management Consultants" under the company's name e.g. XYZ Co., Ltd., Management Consultants". There should, however be separate sign boards and stationery for practice as ""Chartered Accountants"" and as ""Management Consultants.""
4. However, the designation "Management Consultants" cannot be used by the practicing Chartered Accountants either individually or by sole proprietary concern or a partnership firm.

### **Management Consultancy Practice by Members Not in Practice as Chartered Accountants**



## 5.01

5. A member who is interested in practicing only as a Management Consultant, can engage in such practice either as sole proprietor or through a partnership firm or a limited company after obtaining a certificate of practice to practice as "Management Consultant" under Bye-law 8 of the C.A. Bye-Laws, 1983.
6. Such members should be entitled to practice only as Management Consultants and cannot engage in other functions which are normally under-taken by Chartered Accountants in practice.
7. In case a member wishes to associate non-member in his Management Consultancy practice he could do so only in case of practice as a limited liability company and he would undertake that such non-member would observe the bye-laws and code of professional ethics of the Institute.
8. In case a member not practicing as a Chartered Accountant is associated with a Management Consultancy practice he would be required to obtain a certificate of practice as a "Management Consultant".
9. The obligation to ensure that non-members observe the bye-laws and code of professional ethics of the Institute under clause 10 of Part-2 of Schedule-I of the Chartered Accountants Ordinance, 1961 would arise if a member associates with non-members in any of the following capacities:
  - (a) a shareholder in a management consultancy company
  - (b) a director of the management consultancy company
  - (c) a shareholder and a director of the management consultancy company.
10. However, association as an employee or an Executive Director in a management consultancy company would not attract the above requirement.

## **5.01**

11. The above directive summarizes the official amendment in Bye-law 8 of the Bye-laws of the Institute and various decisions of the Council and substitutes the earlier directives issued as 5.01 and 5.02 of Volume I of the Members' Handbook.

**(106<sup>th</sup> meeting of the Council - July 9-10, 1994)**

## **FORMATION OF COMPANIES FOR MANAGEMENT CONSULTANCY**

The Council of the Institute has noted that certain members of the Institute form companies to practice as Management Consultants without any intimation to the Institute.

The members should note that the words "shall be permitted" used in the proviso to Section 23 of the Chartered Accountants Ordinance, 1961 (as amended) do not ipso facto permit formation of a limited company by the Chartered Accountants for the practices of Management Consultancy. The members are required to obtain permission from the Council in this regard which is granted immediately on fulfilling the following requirements:

- (i) The application should be on prescribed Form "Z" (specimen enclosed).
- (ii) Compliance with the requirements of Part 2 of Schedules I and II of the C.A. Ordinance, 1961.
- (iii) The name of the Company is in accordance with Council's Directive 4.06.
- (iv) Proposed Memorandum and Articles of Association.

The above requirements are aimed at ensuring that the Institute has complete record of the members practicing as Management Consultants and that the practice is in accordance with the Ordinance, Bye-laws and the Directive 5.01 of the Council.

**(121<sup>st</sup> meeting of the Council - May 29, 1997)**

## **USE OF FOREIGN NAMES FOR MANAGEMENT CONSULTANCY**

The Council of the Institute has decided to give permission to the members who wish to practice as Management Consultants by forming a limited liability company (the "Company") using a foreign name attached to a local name. Use of abbreviation of local and/or foreign names is also permitted for this purpose.

The term foreign name, as used in this directive, means a known name of an international firm / company of Management Consultants ("Foreign Firm") recognized by a foreign professional body, approved by the Council for this purpose.

The Foreign Firm shall have given a formal permission for the sole use of its name by the Company in Pakistan.

The Institute of Chartered Accountants of Pakistan (ICAP) itself, before granting the requisite permission, shall obtain confirmation from the Foreign Firm that it has given permission for the sole use of its name by the Company.

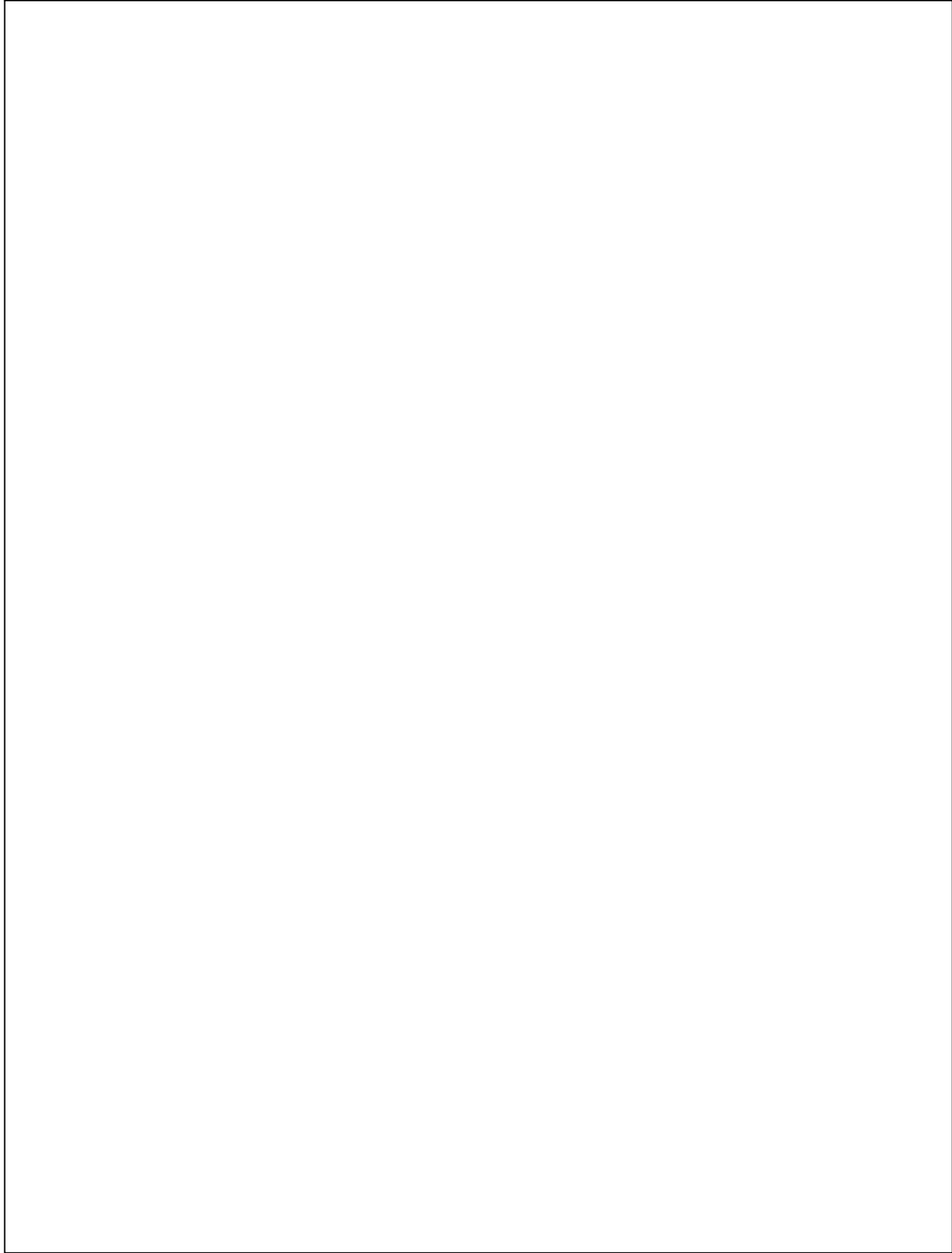
Company/ies which will have been granted permission by ICAP to use a foreign name on the terms stated above shall comply with other requirements prescribed by the Institute from time to time.

For Further guidance on the issue of foreign names, members are advised to refer to Directive 4.06 (Revised-2005)

**(171<sup>st</sup> meeting of the Council - April 29, 2005)**

(6)

Ethics



**MEMBERS' HANDBOOK**

**PART IV**

**6. ETHICS**

**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF PAKISTAN**

## SECTIONAL INDEX

### 6. ETHICS

#### CONTENTS

6.01	Non payment of annual fee to be an act of misconduct
6.02	<i>Withdrawn</i> - Publicity and Advertising
6.03	Institute's Elections ( <b>Revised 2017</b> )
6.04	Code of Ethics for Chartered Accountants ( <b>Revised 2019</b> )





**NON-PAYMENT OF ANNUAL FEE  
TO BE AN ACT OF MISCONDUCT**

“Members of the Insitute not Paying annual fees despite reminders and requests can be termed as guilty of breach of discipline.”

**(49<sup>th</sup> meeting of Council-December 26,1975)**

**Directive 6.03**  
**(Revised 2017)**

**INSTITUTE'S ELECTIONS**

With respect to the practices adopted by the members contesting elections to the Council and Regional Committees, the Council reviewed the statutory obligations under the Chartered Accountants Ordinance 1961, Bye-laws made there under and practices prevalent elsewhere in this regard and decided to issue the following directive, the breach of which shall be considered an act of misconduct liable for disciplinary action:

1. Bye-law 47 of the Chartered Accountants Bye Laws comprehensively reflects the requirements for a free and fair election to ensure that the members contesting for the Council and Regional Committees are elected purely on the basis of merit and the election process is reflective of the distinctive image and standing of the Institute.
2. The candidates and voters to refrain from the following activities:
  - i) forming groups or panels of two or more persons overtly or covertly on any basis;
  - ii) influencing any member to vote or not to vote for any candidate(s) through pamphlets, brochures, cards or by any other means of communication which tends to prevent a free exercise of the voting right;
  - iii) making any adverse comments/remarks about the Institute, Council and other contesting candidates.
  - iv) arranging or causing to arrange for members any party or gathering, with or without meals, refreshments, etc. on or before election day.
3. A candidate, if he wishes to circularize or canvass, shall observe good taste and good sense. The Election Committee is authorized to issue such guidelines as it deems appropriate with respect to good taste communication.
4. To assist the candidates in disseminating information about them, the Institute will arrange to:
  - i) issue a profile of all the candidates with their photographs stating their particulars, positions in their organization and other fields of service, their achievements, their previous service to the Institute, or its Council, Regional Committee or any other Committee(s);

- ii) include the profile of the candidates in the Institute's Newsletter and the Pakistan Accountant; and
  - iii) organize a get-together of the members and candidates of the Council and Regional Committees to enable an introduction of candidates at such place(s) and at such time as the Election Committee may decide.
5. The member choosing to cast his/her vote in the election to the Council or the Regional Committees shall have to cast as many votes as there are number of seats for a particular zone in that region. Ballot papers showing more or less votes than the number of seats shall be deemed invalid.
  6. Any violation of the relevant laws/regulations/directives regarding elections is to be reported to the Election Committee. In doing so the reporting members are expected to be truthful. A report which is found to be untrue or is calculated to prejudice any candidate or is made out of malice shall be adequate ground for disciplinary action against the reporting member.
  7. The Election Committee on its own motion or on any complaint filed shall (in its sole opinion) decide as to good taste and sense of such communication and canvassing, and if it is so considered by the Election Committee that such communication and/or canvassing do not fall within the realm of good taste or form, the Election Committee shall proceed with the actions as stated in clause 8;
  8. In case of non-compliance of this Directive, the Election Committee can take such actions as it deems appropriate, including (but not limited to) issuance of warning to the candidate and communication to the members.
  9. This Directive shall be read with the relevant provisions of the Chartered Accountants Ordinance, 1961 and the Bye-laws made there under.

*(285<sup>th</sup> Meeting of the Council – April 7-8, 2017)*

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Before above revision read as under:

**6.03**  
**(Revised 2013)**

### **INSTITUTE'S ELECTIONS**

- 1.0 Pursuant to the complaints received by the Council for unhealthy practices adopted by the members contesting elections to the Council and Regional Committees, the Council caused an in-depth review of the statutory obligations under the Chartered Accountants Ordinance 1961, Bye-laws made there under and practices prevalent elsewhere in this regard. After a good deal of deliberation, the Council has decided to issue the following Statement as a directive, the breach of which shall be considered an act of misconduct liable for disciplinary action.
- 2.0 The Council considers that bye-law 47 of the CA Ordinance comprehensively reflects the requirements for a free and fair election to ensure that:
  - i. the members contesting for the Council and Regional Committees are elected purely on the basis of merit;
  - ii. the election for the Institute of a learned profession is not reduced to the level of political wranglings as it would deprive the profession of its distinctive image of being "a little different"; and a good taste and good sense befitting an enviable conduct by the candidates and the voters remain manifest throughout the election process.
- 3.0 In order to achieve the above objectives the Council directs the candidates and voters to refrain from:
  - i. canvassing in any form or shape directly or indirectly through any person including friends, relations, supporters, patrons or agents;
  - ii. forming groups or panels of two or more persons overtly or covertly on any basis;
  - iii. influencing any member to vote or not to vote for any candidate(s) through pamphlets, brochures, cards or by any other means of communication which tends to prevent a free exercise of the voting right; except in a manner allowed in paragraph 4 and 5 of the Directive;
  - iv. gathering in or around polling stations by candidates or any other members or persons on the day of elections to avoid influence on the voters. Members should immediately leave the premises after casting their votes; and
  - v. arranging or causing to arrange for members any party or gathering, with or without meals, refreshments, etc. on or before election day.
- 4.0 To assist the candidates in disseminating information about them the Council has decided to:
  - i. issue an introductory expose of all the candidates with their photographs stating their particulars, positions in their organization and other fields of service, their achievements, their previous service to the Institute, or its Council, Regional Committee or any other Committee(s);

- ii. the introductory expose of the candidates, shall be included in the Institute's Newsletter and the Pakistan Accountant; and
  - iii. organize a get-together of the members and candidates of the Council and Regional Committees to enable an introduction of candidates at such place(s) and at such time as the Election Committee may decide.
- 5.0 A candidate may, if he so wishes, circularize or canvass electors provided that he observes good taste and good sense. The decision of the Election Committee as to the acceptability or otherwise of such a circular or canvassing shall be final and not open to challenge. Any such circularization or canvassing shall be at the candidate's personal expense.
- 6.0 The Council has also decided that the member choosing to cast his/her vote in the election to the Council or the Regional Committees shall have to cast as many votes as there are vacancies. Ballot papers showing more or less votes than the vacancies shall be deemed invalid.
- 7.0 To ensure healthy practices for ICAP Elections, the Council expects members to report any breach of the CA Ordinance and Bye laws there under and the foregoing directive if such breach impairs the letter and spirit of free and fair election. In doing so the reporting members are expected to be truthful. A report which is found to be untrue or is calculated to prejudice any candidate or is made out of malice shall be adequate ground for disciplinary action against the reporting member.
- 8.0 This directive shall be read with relevant provisions of the CA Ordinance and the Bye laws there under.

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**(Revised 242nd meeting of the Council – January 23-24, 2013)**

# **Code of Ethics for Chartered Accountants (Revised 2019)**



## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

The "Code of Ethics for Chartered Accountants (Revised 2019)" is based on the *Handbook of the International Code of Ethics for Professional Accountants, 2018 Edition* of the International Ethics Standards Board for Accountants, published by the International Federation of Accountants (IFAC) in July 2018 and is used with permission of IFAC.

*Handbook of the International Code of Ethics for Professional Accountants, 2018 Edition*  
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## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

### **HISTORICAL BACKGROUND**

<b>1969-70</b>	"Green Book" became part of Members' Handbook
<b>July 1990</b>	IFAC Code of Ethics for Professional Accountants was adopted for the first time
<b>April 2000</b>	Code of Ethics was revised by Council
<b>February 2003</b>	Section 7 'Publicity and Advertising by Chartered Accountants' was changed
<b>August 2004</b>	Code of Ethics was amended by Council
<b>May 2005</b>	Section 9 'Independence' and Definitions were replaced with new IFAC requirements
<b>May 2008</b>	Code of Ethics was revised by Council
<b>April 2015</b>	Code of Ethics was revised by Council

## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

### **FOREWORD**

The accounting profession has a vital role in society. The accounting profession's unwavering commitment to serve public interest is like an unbreakable chain, running throughout our profession, connecting all of us.

The recognition of the value that the profession brings to the society translates into the public trust invested in the profession. Our commitment to serve public interest is a huge responsibility, however, it is the chief attribute through which we have generated goodwill and great standing for our profession over the centuries. Importantly, the profession has to continuously reinforce and elevate its goodwill in the evolving and challenging business and regulatory environment. The significance and the role of ethical practices has become more and more central.

Our Institute's vision defines and dictates that professional excellence can only be achieved by upholding the principles of integrity, transparency and accountability. To fulfill its vision, the Institute sets the standards of professional ethics and professional behaviour for chartered accountants. These ethical standards set out the professional responsibilities and duties owed by chartered accountants to their clients, employers, the authorities and the public at large.

The Institute is a member of the International Federation of Accountants (IFAC). It is committed to the IFAC's broad objective of developing and enhancing a coordinated and coherent worldwide accountancy profession with common standards. In this regard, the Institute, as an obligation of its IFAC membership, is obliged to support the work of IFAC by:

- a) informing its members of every pronouncement developed by IFAC, and
- b) implementing to the extent possible under local circumstances.

IFAC has issued the restructured Code of Ethics for Professional Accountants which includes substantive revisions and is completely rewritten under a new structure and drafting convention. The restructured Code has been issued after extensive research and global stakeholder consultation.

The Council takes great pleasure in the adoption of the revised Code of Ethics for Chartered Accountants that is based on the IFAC restructured Code of Ethics. The revised Code of Ethics for Chartered Accountants contains all-around and multifaceted improvements, including the Code's structure and applicability, formatting and drafting, reinforced conceptual framework and ethical requirements and guidance.

Our members are expected to adhere to the ethical requirements of the restructured Code of Ethics and exhibit the highest standards of ethics and professional conduct that are expected of our profession.

Jafar Husain  
President  
Karachi, September 30, 2019

## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

### **PREFACE**

#### **The revised IESBA Code**

In April 2015, the Institute's last Code of Ethics was revised and issued to members. In April 2018, the International Ethics Standards Board for Accountants (IESBA) of IFAC issued a revised and restructured Code of Ethics for Professional Accountants which brought significant changes in the structure of the Code and substantially strengthened the independence requirements of auditors and clarified other requirements for all professional accountants.

The latest edition of the Handbook of the IESBA Code of Ethics was issued in July 2018 which replaces the previous editions of the Code. Since 2015 to 2018, major structural changes and new requirements have been introduced by IESBA in the Code.

In order to adopt the same, the Auditing Standards and Ethics Committee of the Institute made an exhaustive study of the IESBA Codes issued from 2015 to 2018 and recommended latest Code of IESBA for adoption, subject to few changes. These changes are not in conflict with the requirements of IESBA Code; rather make it more stringent and principally arising out of the requirements of the Chartered Accountants Ordinance, 1961.

#### **About the revised ICAP Code**

The revised ICAP Code establishes a conceptual framework that requires a chartered accountant to identify, evaluate, and address threats to compliance with the fundamental principles. The conceptual framework approach assists chartered accountants in complying with the ethical requirements of this Code and meeting their responsibility to act in the public interest. When a chartered accountant identifies threats to compliance with the fundamental principles and determines that they are not at an acceptable level, the chartered accountant needs to ensure whether appropriate safeguards are available or not.

The revised ICAP Code entails ensuring compliance with the five fundamental principles of professional ethics which are integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The revised ICAP Code applies to all Chartered Accountants, whether in practice or not.

Chartered accountants are expected to demonstrate the highest standards of professional conduct and to take into consideration the public interest. Ethical behavior by chartered accountants plays a vital role in ensuring public trust in financial reporting and business practices and upholding the reputation of the accountancy profession.

The Code of Ethics helps members of the Institute meet these obligations by providing them with ethical guidance. The Code applies to all members, students, affiliates, employees of member firms and, where applicable, member firms, in all of their professional and business activities, whether remunerated or voluntary.



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### **Adoption by the Council**

Pursuant to clause (i) of sub-section (2) of Section 15 of the Chartered Accountants Ordinance, 1961 (CA Ordinance) the Council in its 316th meeting held on July 25-26, 2019 has adopted the Code of Ethics for Chartered Accountants (Revised 2019) to be effective from July 1, 2020.

The revised ICAP Code of Ethics is being issued as a Directive of the Council and any violation of the provisions of the Code will fall under Part 4 of Schedule 1 of the CA Ordinance.

### **Conflict with the Code and the CA Ordinance & Chartered Accountants Bye-Laws**

In the event of any conflict between matters contained in this Code and CA Ordinance, Chartered Accountants Bye-Laws, or any specific directive issued by the Council, the provisions of CA Ordinance, Chartered Accountants Bye-Laws, and the specific directive shall prevail in that order respectively.

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**PART 1 - COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK**

**SECTION 100**

**COMPLYING WITH THE CODE**

**General**

- 100.1 A1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. A chartered accountant's responsibility is not exclusively to satisfy the needs of an individual client or employing organization. Therefore, the Code contains requirements and application material to enable chartered accountants to meet their responsibility to act in the public interest.
- 100.2 A1 The requirements in the Code, designated with the letter "R," impose obligations.
- 100.2 A2 Application material, designated with the letter "A," provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance relevant to a proper understanding of the Code. In particular, the application material is intended to help a chartered accountant to understand how to apply the conceptual framework to a particular set of circumstances and to understand and comply with a specific requirement. While such application material does not of itself impose a requirement, consideration of the material is necessary to the proper application of the requirements of the Code, including application of the conceptual framework.
- R100.3** A chartered accountant shall comply with the Code. There might be circumstances where laws or regulations preclude an accountant from complying with certain parts of the Code. In such circumstances, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.
- 100.3 A1 The principle of professional behavior requires a chartered accountant to comply with relevant laws and regulations. Some jurisdictions might have provisions that differ from or go beyond those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.
- 100.3 A2 A chartered accountant might encounter unusual circumstances in which the accountant believes that the result of applying a specific requirement of the Code would be disproportionate or might not be in the public interest. In

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those circumstances, the accountant is encouraged to consult with a professional or regulatory body.

**Breaches of the Code**

**R100.4** Paragraphs R400.80 to R400.89 and R900.50 to R900.55 address a breach of *International Independence Standards*. A chartered accountant who identifies a breach of any other provision of the Code shall evaluate the significance of the breach and its impact on the accountant's ability to comply with the fundamental principles. The accountant shall also:

- (a) Take whatever actions might be available, as soon as possible, to address the consequences of the breach satisfactorily; and
- (b) Determine whether to report the breach to the relevant parties.

100.4 A1 Relevant parties to whom such a breach might be reported include those who might have been affected by it, a professional or regulatory body or an oversight authority.

## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

### SECTION 110

#### THE FUNDAMENTAL PRINCIPLES

##### General

- 110.1 A1 There are five fundamental principles of ethics for chartered accountants:
- (a) Integrity – to be straightforward and honest in all professional and business relationships.
  - (b) Objectivity – not to compromise professional or business judgments because of bias, conflict of interest or undue influence of others.
  - (c) Professional Competence and Due Care – to:
    - (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
    - (ii) Act diligently and in accordance with applicable technical and professional standards.
  - (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.
  - (e) Professional Behavior – to comply with relevant laws and regulations and avoid any conduct that the chartered accountant knows or should know might discredit the profession.
- R110.2** A chartered accountant shall comply with each of the fundamental principles.
- 110.2 A1 The fundamental principles of ethics establish the standard of behavior expected of a chartered accountant. The conceptual framework establishes the approach which an accountant is required to apply to assist in complying with those fundamental principles. Subsections 111 to 115 set out requirements and application material related to each of the fundamental principles.
- 110.2 A2 A chartered accountant might face a situation in which complying with one fundamental principle conflicts with complying with one or more other fundamental principles. In such a situation, the accountant might consider consulting, on an anonymous basis if necessary, with:
- Others within the firm or employing organization.

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- Those charged with governance.
- A professional body.
- A regulatory body.
- Legal counsel.

However, such consultation does not relieve the accountant from the responsibility to exercise professional judgment to resolve the conflict or, if necessary, and unless prohibited by law or regulation, disassociate from the matter creating the conflict.

- 110.2 A3 The chartered accountant is encouraged to document the substance of the issue, the details of any discussions, the decisions made and the rationale for those decisions.

### SUBSECTION 111

#### INTEGRITY

**R111.1** A chartered accountant shall comply with the principle of integrity, which requires an accountant to be straightforward and honest in all professional and business relationships.

- 111.1 A1 Integrity implies fair dealing and truthfulness.

**R111.2** A chartered accountant shall not knowingly be associated with reports, returns, communications or other information where the accountant believes that the information:

- (a) Contains a materially false or misleading statement;
- (b) Contains statements or information provided recklessly; or
- (c) Omits or obscures required information where such omission or obscurity would be misleading.

- 111.2 A1 If a chartered accountant provides a modified report in respect of such a report, return, communication or other information, the accountant is not in breach of paragraph R111.2.

**R111.3** When a chartered accountant becomes aware of having been associated with information described in paragraph R111.2, the accountant shall take steps to be disassociated from that information.

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### SUBSECTION 112

#### OBJECTIVITY

- R112.1** A chartered accountant shall comply with the principle of objectivity, which requires an accountant not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others.
- R112.2** A chartered accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgment regarding that activity.

### SUBSECTION 113

#### PROFESSIONAL COMPETENCE AND DUE CARE

- R113.1** A chartered accountant shall comply with the principle of professional competence and due care, which requires an accountant to:
- (a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
  - (b) Act diligently and in accordance with applicable technical and professional standards.
- 113.1 A1 Serving clients and employing organizations with professional competence requires the exercise of sound judgment in applying professional knowledge and skill when undertaking professional activities.
- 113.1 A2 Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a chartered accountant to develop and maintain the capabilities to perform competently within the professional environment.
- 113.1 A3 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.
- R113.2** In complying with the principle of professional competence and due care, a chartered accountant shall take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision.
- R113.3** Where appropriate, a chartered accountant shall make clients, the employing organization, or other users of the accountant's professional services or activities, aware of the limitations inherent in the services or activities.

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**SUBSECTION 114**

**CONFIDENTIALITY**

**R114.1** A chartered accountant shall comply with the principle of confidentiality, which requires an accountant to respect the confidentiality of information acquired as a result of professional and business relationships. An accountant shall:

- (a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member;
- (b) Maintain confidentiality of information within the firm or employing organization;
- (c) Maintain confidentiality of information disclosed by a prospective client or employing organization;
- (d) Not disclose confidential information acquired as a result of professional and business relationships outside the firm or employing organization without proper and specific authority, unless there is a legal or professional duty or right to disclose;
- (e) Not use confidential information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party;
- (f) Not use or disclose any confidential information, either acquired or received as a result of a professional or business relationship, after that relationship has ended; and
- (g) Take reasonable steps to ensure that personnel under the accountant's control, and individuals from whom advice and assistance are obtained, respect the accountant's duty of confidentiality.

114.1 A1 Confidentiality serves the public interest because it facilitates the free flow of information from the chartered accountant's client or employing organization to the accountant in the knowledge that the information will not be disclosed to a third party. Nevertheless, the following are circumstances where chartered accountants are or might be required to disclose confidential information or when such disclosure might be appropriate:

- (a) Disclosure is required by law, for example:
  - (i) Production of documents or other provision of evidence in the course of legal proceedings; or



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- (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light;
- (b) Disclosure is permitted by law and is authorized by the client or the employing organization; and
- (c) There is a professional duty or right to disclose, when not prohibited by law:
  - (i) To comply with the quality review of a professional body;
  - (ii) To respond to an inquiry or investigation by a professional or regulatory body;
  - (iii) To protect the professional interests of a chartered accountant in legal proceedings; or
  - (iv) To comply with technical and professional standards, including ethics requirements.

114.1 A2 In deciding whether to disclose confidential information, factors to consider, depending on the circumstances, include:

- Whether the interests of any parties, including third parties whose interests might be affected, could be harmed if the client or employing organization consents to the disclosure of information by the chartered accountant.
- Whether all the relevant information is known and substantiated, to the extent practicable. Factors affecting the decision to disclose include:
  - Unsubstantiated facts.
  - Incomplete information.
  - Unsubstantiated conclusions.
- The proposed type of communication, and to whom it is addressed.
- Whether the parties to whom the communication is addressed are appropriate recipients.

**R114.2** A chartered accountant shall continue to comply with the principle of confidentiality even after the end of the relationship between the accountant and a client or employing organization. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired or received as a result of a professional or business relationship.

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**SUBSECTION 115**

**PROFESSIONAL BEHAVIOR**

- R115.1** A chartered accountant shall comply with the principle of professional behavior, which requires an accountant to comply with relevant laws and regulations and avoid any conduct that the accountant knows or should know might discredit the profession. A chartered accountant shall not knowingly engage in any business, occupation or activity that impairs or might impair the integrity, objectivity or good reputation of the profession, and as a result would be incompatible with the fundamental principles.
- 115.1 A1 Conduct that might discredit the profession includes conduct that a reasonable and informed third party would be likely to conclude adversely affects the good reputation of the profession.

## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

### SECTION 120

#### THE CONCEPTUAL FRAMEWORK

##### Introduction

- 120.1 The circumstances in which chartered accountants operate might create threats to compliance with the fundamental principles. Section 120 sets out requirements and application material, including a conceptual framework, to assist accountants in complying with the fundamental principles and meeting their responsibility to act in the public interest. Such requirements and application material accommodate the wide range of facts and circumstances, including the various professional activities, interests and relationships, that create threats to compliance with the fundamental principles. In addition, they deter accountants from concluding that a situation is permitted solely because that situation is not specifically prohibited by the Code.
- 120.2 The conceptual framework specifies an approach for a chartered accountant to:
- (a) Identify threats to compliance with the fundamental principles;
  - (b) Evaluate the threats identified; and
  - (c) Address the threats by eliminating or reducing them to an acceptable level.

##### Requirements and Application Material

###### General

- R120.3** The chartered accountant shall apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles set out in Section 110.
- 120.3 A1 Additional requirements and application material that are relevant to the application of the conceptual framework are set out in:
- (a) Part 2 – *Chartered Accountants in Business*;
  - (b) Part 3 – *Chartered Accountants in Practice*; and
  - (c) *International Independence Standards*, as follows:
    - (i) Part 4A – *Independence for Audit and Review Engagements*; and

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- (ii) Part 4B – *Independence for Assurance Engagements Other than Audit and Review Engagements.*

**R120.4** When dealing with an ethics issue, the chartered accountant shall consider the context in which the issue has arisen or might arise. Where an individual who is a chartered accountant in practice is performing professional activities pursuant to the accountant's relationship with the firm, whether as a contractor, employee or owner, the individual shall comply with the provisions in Part 2 that apply to these circumstances.

**R120.5** When applying the conceptual framework, the chartered accountant shall:

- (a) Exercise professional judgment;
- (b) Remain alert for new information and to changes in facts and circumstances; and
- (c) Use the reasonable and informed third party test described in paragraph 120.5 A4.

### *Exercise of Professional Judgment*

120.5 A1 Professional judgment involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, including the nature and scope of the particular professional activities, and the interests and relationships involved. In relation to undertaking professional activities, the exercise of professional judgment is required when the chartered accountant applies the conceptual framework in order to make informed decisions about the courses of actions available, and to determine whether such decisions are appropriate in the circumstances.

120.5 A2 An understanding of known facts and circumstances is a prerequisite to the proper application of the conceptual framework. Determining the actions necessary to obtain this understanding and coming to a conclusion about whether the fundamental principles have been complied with also require the exercise of professional judgment.

120.5 A3 In exercising professional judgment to obtain this understanding, the chartered accountant might consider, among other matters, whether:

- There is reason to be concerned that potentially relevant information might be missing from the facts and circumstances known to the accountant.
- There is an inconsistency between the known facts and circumstances and the accountant's expectations.

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- The accountant's expertise and experience are sufficient to reach a conclusion.
- There is a need to consult with others with relevant expertise or experience.
- The information provides a reasonable basis on which to reach a conclusion.
- The accountant's own preconception or bias might be affecting the accountant's exercise of professional judgment.
- There might be other reasonable conclusions that could be reached from the available information.

### *Reasonable and Informed Third Party*

120.5 A4 The reasonable and informed third party test is a consideration by the chartered accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.

### **Identifying Threats**

**R120.6** The chartered accountant shall identify threats to compliance with the fundamental principles.

120.6 A1 An understanding of the facts and circumstances, including any professional activities, interests and relationships that might compromise compliance with the fundamental principles, is a prerequisite to the chartered accountant's identification of threats to such compliance. The existence of certain conditions, policies and procedures established by the profession, legislation, regulation, the firm, or the employing organization that can enhance the accountant acting ethically might also help identify threats to compliance with the fundamental principles. Paragraph 120.8 A2 includes general examples of such conditions, policies and procedures which are also factors that are relevant in evaluating the level of threats.

120.6 A2 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. It is not possible to define every situation that creates threats. In addition, the nature of engagements and

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work assignments might differ and, consequently, different types of threats might be created.

120.6 A3 Threats to compliance with the fundamental principles fall into one or more of the following categories:

- (a) Self-interest threat – the threat that a financial or other interest will inappropriately influence a chartered accountant’s judgment or behavior;
- (b) Self-review threat – the threat that a chartered accountant will not appropriately evaluate the results of a previous judgment made; or an activity performed by the accountant, or by another individual within the accountant’s firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity;
- (c) Advocacy threat – the threat that a chartered accountant will promote a client’s or employing organization’s position to the point that the accountant’s objectivity is compromised;
- (d) Familiarity threat – the threat that due to a long or close relationship with a client, or employing organization, a chartered accountant will be too sympathetic to their interests or too accepting of their work; and
- (e) Intimidation threat – the threat that a chartered accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.

120.6 A4 A circumstance might create more than one threat, and a threat might affect compliance with more than one fundamental principle.

### **Evaluating Threats**

**R120.7** When the chartered accountant identifies a threat to compliance with the fundamental principles, the accountant shall evaluate whether such a threat is at an acceptable level.

#### *Acceptable Level*

120.7 A1 An acceptable level is a level at which a chartered accountant using the reasonable and informed third party test would likely conclude that the accountant complies with the fundamental principles.

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### *Factors Relevant in Evaluating the Level of Threats*

- 120.8 A1 The consideration of qualitative as well as quantitative factors is relevant in the chartered accountant's evaluation of threats, as is the combined effect of multiple threats, if applicable.
- 120.8 A2 The existence of conditions, policies and procedures described in paragraph 120.6 A1 might also be factors that are relevant in evaluating the level of threats to compliance with fundamental principles. Examples of such conditions, policies and procedures include:
- Corporate governance requirements.
  - Educational, training and experience requirements for the profession.
  - Effective complaint systems which enable the chartered accountant and the general public to draw attention to unethical behavior.
  - An explicitly stated duty to report breaches of ethics requirements.
  - Professional or regulatory monitoring and disciplinary procedures.

### *Consideration of New Information or Changes in Facts and Circumstances*

- R120.9** If the chartered accountant becomes aware of new information or changes in facts and circumstances that might impact whether a threat has been eliminated or reduced to an acceptable level, the accountant shall re-evaluate and address that threat accordingly.
- 120.9 A1 Remaining alert throughout the professional activity assists the chartered accountant in determining whether new information has emerged or changes in facts and circumstances have occurred that:
- (a) Impact the level of a threat; or
  - (b) Affect the accountant's conclusions about whether safeguards applied continue to be appropriate to address identified threats.
- 120.9 A2 If new information results in the identification of a new threat, the chartered accountant is required to evaluate and, as appropriate, address this threat. (Ref: Paras. R120.7 and R120.10).

### **Addressing Threats**

- R120.10** If the chartered accountant determines that the identified threats to compliance with the fundamental principles are not at an acceptable level,

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the accountant shall address the threats by eliminating them or reducing them to an acceptable level. The accountant shall do so by:

- (a) Eliminating the circumstances, including interests or relationships, that are creating the threats;
- (b) Applying safeguards, where available and capable of being applied, to reduce the threats to an acceptable level; or
- (c) Declining or ending the specific professional activity.

### *Actions to Eliminate Threats*

120.10 A1 Depending on the facts and circumstances, a threat might be addressed by eliminating the circumstance creating the threat. However, there are some situations in which threats can only be addressed by declining or ending the specific professional activity. This is because the circumstances that created the threats cannot be eliminated and safeguards are not capable of being applied to reduce the threat to an acceptable level.

### *Safeguards*

120.10 A2 Safeguards are actions, individually or in combination, that the chartered accountant takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.

### *Consideration of Significant Judgments Made and Overall Conclusions Reached*

**R120.11** The chartered accountant shall form an overall conclusion about whether the actions that the accountant takes, or intends to take, to address the threats created will eliminate those threats or reduce them to an acceptable level. In forming the overall conclusion, the accountant shall:

- (a) Review any significant judgments made or conclusions reached; and
- (b) Use the reasonable and informed third party test.

## **Considerations for Audits, Reviews and Other Assurance Engagements**

### *Independence*

120.12 A1 Chartered accountants in practice are required by *International Independence Standards* to be independent when performing audits, reviews, or other assurance engagements. Independence is linked to the fundamental principles of objectivity and integrity. It comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise



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professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm’s or an audit or assurance team member’s integrity, objectivity or professional skepticism has been compromised.

120.12 A2 *International Independence Standards* set out requirements and application material on how to apply the conceptual framework to maintain independence when performing audits, reviews or other assurance engagements. Chartered accountants and firms are required to comply with these standards in order to be independent when conducting such engagements. The conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles applies in the same way to compliance with independence requirements. The categories of threats to compliance with the fundamental principles described in paragraph 120.6 A3 are also the categories of threats to compliance with independence requirements.

### *Professional Skepticism*

120.13 A1 Under auditing, review and other assurance standards, including those issued by the IAASB, chartered accountants in practice are required to exercise professional skepticism when planning and performing audits, reviews and other assurance engagements. Professional skepticism and the fundamental principles that are described in Section 110 are inter-related concepts.

120.13 A2 In an audit of financial statements, compliance with the fundamental principles, individually and collectively, supports the exercise of professional skepticism, as shown in the following examples:

- *Integrity* requires the chartered accountant to be straightforward and honest. For example, the accountant complies with the principle of integrity by:
  - (a) Being straightforward and honest when raising concerns about a position taken by a client; and
  - (b) Pursuing inquiries about inconsistent information and seeking further audit evidence to address concerns about statements that might be materially false or misleading in order to make informed decisions about the appropriate course of action in the circumstances.

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In doing so, the accountant demonstrates the critical assessment of audit evidence that contributes to the exercise of professional skepticism.

- *Objectivity* requires the chartered accountant not to compromise professional or business judgment because of bias, conflict of interest or the undue influence of others. For example, the accountant complies with the principle of objectivity by:
  - (a) Recognizing circumstances or relationships such as familiarity with the client, that might compromise the accountant's professional or business judgment; and
  - (b) Considering the impact of such circumstances and relationships on the accountant's judgment when evaluating the sufficiency and appropriateness of audit evidence related to a matter material to the client's financial statements.

In doing so, the accountant behaves in a manner that contributes to the exercise of professional skepticism.

- *Professional competence and due care* requires the chartered accountant to have professional knowledge and skill at the level required to ensure the provision of competent professional service, and to act diligently in accordance with applicable standards, laws and regulations. For example, the accountant complies with the principle of professional competence and due care by:
  - (a) Applying knowledge that is relevant to a particular client's industry and business activities in order to properly identify risks of material misstatement;
  - (b) Designing and performing appropriate audit procedures; and
  - (c) Applying relevant knowledge when critically assessing whether audit evidence is sufficient and appropriate in the circumstances.

In doing so, the accountant behaves in a manner that contributes to the exercise of professional skepticism.

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**PART 2 - CHARTERED ACCOUNTANTS IN BUSINESS**

**SECTION 200**

**APPLYING THE CONCEPTUAL FRAMEWORK – CHARTERED ACCOUNTANTS IN BUSINESS**

**Introduction**

- 200.1 This Part of the Code sets out requirements and application material for chartered accountants in business when applying the conceptual framework set out in Section 120. It does not describe all of the facts and circumstances, including professional activities, interests and relationships, that could be encountered by chartered accountants in business, which create or might create threats to compliance with the fundamental principles. Therefore, the conceptual framework requires chartered accountants in business to be alert for such facts and circumstances.
- 200.2 Investors, creditors, employing organizations and other sectors of the business community, as well as governments and the general public, might rely on the work of chartered accountants in business. Chartered accountants in business might be solely or jointly responsible for the preparation and reporting of financial and other information, on which both their employing organizations and third parties might rely. They might also be responsible for providing effective financial management and competent advice on a variety of business-related matters.
- 200.3 A chartered accountant in business might be an employee, contractor, partner, director (executive or non-executive), owner-manager, or volunteer of an employing organization. The legal form of the relationship of the accountant with the employing organization has no bearing on the ethical responsibilities placed on the accountant.
- 200.4 In this Part, the term “chartered accountant” refers to:
- (a) A chartered accountant in business; and
  - (b) An individual who is a chartered accountant in practice when performing professional activities pursuant to the accountant’s relationship with the accountant’s firm, whether as a contractor, employee or owner. More information on when Part 2 is applicable to chartered accountants in practice is set out in paragraphs R120.4, R300.5 and 300.5 A1.

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### Requirements and Application Material

#### General

**R200.5** A chartered accountant shall comply with the fundamental principles set out in Section 110 and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to compliance with the fundamental principles.

200.5 A1 A chartered accountant has a responsibility to further the legitimate objectives of the accountant's employing organization. The Code does not seek to hinder accountants from fulfilling that responsibility, but addresses circumstances in which compliance with the fundamental principles might be compromised.

200.5 A2 Chartered accountants may promote the position of the employing organization when furthering the legitimate goals and objectives of their employing organization, provided that any statements made are neither false nor misleading. Such actions usually would not create an advocacy threat.

200.5 A3 The more senior the position of a chartered accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization. To the extent that they are able to do so, taking into account their position and seniority in the organization, accountants are expected to encourage and promote an ethics-based culture in the organization. Examples of actions that might be taken include the introduction, implementation and oversight of:

- Ethics education and training programs.
- Ethics and whistle-blowing policies.
- Policies and procedures designed to prevent non-compliance with laws and regulations.

#### Identifying Threats

200.6 A1 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories that might create threats for a chartered accountant when undertaking a professional activity:

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### (a) Self-interest Threats

- A chartered accountant holding a financial interest in, or receiving a loan or guarantee from, the employing organization.
- A chartered accountant participating in incentive compensation arrangements offered by the employing organization.
- A chartered accountant having access to corporate assets for personal use.
- A chartered accountant being offered a gift or special treatment from a supplier of the employing organization.

### (b) Self-review Threats

- A chartered accountant determining the appropriate accounting treatment for a business combination after performing the feasibility study supporting the purchase decision.

### (c) Advocacy Threats

- A chartered accountant having the opportunity to manipulate information in a prospectus in order to obtain favorable financing.

### (d) Familiarity Threats

- A chartered accountant being responsible for the financial reporting of the employing organization when an immediate or close family member employed by the organization makes decisions that affect the financial reporting of the organization.
- A chartered accountant having a long association with individuals influencing business decisions.

### (e) Intimidation Threats

- A chartered accountant or immediate or close family member facing the threat of dismissal or replacement over a disagreement about:
  - The application of an accounting principle.
  - The way in which financial information is to be reported.

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- An individual attempting to influence the decision-making process of the chartered accountant, for example with regard to the awarding of contracts or the application of an accounting principle.

### **Evaluating Threats**

200.7 A1 The conditions, policies and procedures described in paragraphs 120.6 A1 and 120.8 A2 might impact the evaluation of whether a threat to compliance with the fundamental principles is at an acceptable level.

200.7 A2 The chartered accountant's evaluation of the level of a threat is also impacted by the nature and scope of the professional activity.

200.7 A3 The chartered accountant's evaluation of the level of a threat might be impacted by the work environment within the employing organization and its operating environment. For example:

- Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner.
- Policies and procedures to empower and encourage employees to communicate ethics issues that concern them to senior levels of management without fear of retribution.
- Policies and procedures to implement and monitor the quality of employee performance.
- Systems of corporate oversight or other oversight structures and strong internal controls.
- Recruitment procedures emphasizing the importance of employing high caliber competent personnel.
- Timely communication of policies and procedures, including any changes to them, to all employees, and appropriate training and education on such policies and procedures.
- Ethics and code of conduct policies.

200.7 A4 Chartered accountants might consider obtaining legal advice where they believe that unethical behavior or actions by others have occurred, or will continue to occur, within the employing organization.

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### Addressing Threats

- 200.8 A1 Sections 210 to 270 describe certain threats that might arise during the course of performing professional activities and include examples of actions that might address such threats.
- 200.8 A2 In extreme situations, if the circumstances that created the threats cannot be eliminated and safeguards are not available or capable of being applied to reduce the threat to an acceptable level, it might be appropriate for a chartered accountant to resign from the employing organization.

### Communicating with Those Charged with Governance

- R200.9** When communicating with those charged with governance in accordance with the Code, a chartered accountant shall determine the appropriate individual(s) within the employing organization's governance structure with whom to communicate. If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.
- 200.9 A1 In determining with whom to communicate, a chartered accountant might consider:
- (a) The nature and importance of the circumstances; and
  - (b) The matter to be communicated.
- 200.9 A2 Examples of a subgroup of those charged with governance include an audit committee or an individual member of those charged with governance.
- R200.10** If a chartered accountant communicates with individuals who have management responsibilities as well as governance responsibilities, the accountant shall be satisfied that communication with those individuals adequately informs all of those in a governance role with whom the accountant would otherwise communicate.
- 200.10 A1 In some circumstances, all of those charged with governance are involved in managing the employing organization, for example, a small business where a single owner manages the organization and no one else has a governance role. In these cases, if matters are communicated with individual(s) with management responsibilities, and those individual(s) also have governance responsibilities, the chartered accountant has satisfied the requirement to communicate with those charged with governance.



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### SECTION 210

#### CONFLICTS OF INTEREST

##### Introduction

- 210.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 210.2 A conflict of interest creates threats to compliance with the principle of objectivity and might create threats to compliance with the other fundamental principles. Such threats might be created when:
- (a) A chartered accountant undertakes a professional activity related to a particular matter for two or more parties whose interests with respect to that matter are in conflict; or
  - (b) The interest of a chartered accountant with respect to a particular matter and the interests of a party for whom the accountant undertakes a professional activity related to that matter are in conflict.
- A party might include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.
- 210.3 This section sets out specific requirements and application material relevant to applying the conceptual framework to conflicts of interest.

##### Requirements and Application Material

##### General

- R210.4** A chartered accountant shall not allow a conflict of interest to compromise professional or business judgment.
- 210.4 A1 Examples of circumstances that might create a conflict of interest include:
- Serving in a management or governance position for two employing organizations and acquiring confidential information from one organization that might be used by the chartered accountant to the advantage or disadvantage of the other organization.
  - Undertaking a professional activity for each of two parties in a partnership, where both parties are employing the accountant to assist them to dissolve their partnership.

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- Preparing financial information for certain members of management of the accountant's employing organization who are seeking to undertake a management buy-out.
- Being responsible for selecting a vendor for the employing organization when an immediate family member of the accountant might benefit financially from the transaction.
- Serving in a governance capacity in an employing organization that is approving certain investments for the company where one of those investments will increase the value of the investment portfolio of the accountant or an immediate family member.

### **Conflict Identification**

**R210.5** A chartered accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles. Such steps shall include identifying:

- (a) The nature of the relevant interests and relationships between the parties involved; and
- (b) The activity and its implication for relevant parties.

**R210.6** A chartered accountant shall remain alert to changes over time in the nature of the activities, interests and relationships that might create a conflict of interest while performing a professional activity.

### **Threats Created by Conflicts of Interest**

210.7 A1 In general, the more direct the connection between the professional activity and the matter on which the parties' interests conflict, the more likely the level of the threat is not at an acceptable level.

210.7 A2 An example of an action that might eliminate threats created by conflicts of interest is withdrawing from the decision-making process related to the matter giving rise to the conflict of interest.

210.7 A3 Examples of actions that might be safeguards to address threats created by conflicts of interest include:

- Restructuring or segregating certain responsibilities and duties.
- Obtaining appropriate oversight, for example, acting under the supervision of an executive or non-executive director.

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### **Disclosure and Consent**

#### *General*

- 210.8 A1 It is generally necessary to:
- (a) Disclose the nature of the conflict of interest and how any threats created were addressed to the relevant parties, including to the appropriate levels within the employing organization affected by a conflict; and
  - (b) Obtain consent from the relevant parties for the chartered accountant to undertake the professional activity when safeguards are applied to address the threat.
- 210.8 A2 Consent might be implied by a party's conduct in circumstances where the chartered accountant has sufficient evidence to conclude that the parties know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict.
- 210.8 A3 If such disclosure or consent is not in writing, the chartered accountant is encouraged to document:
- (a) The nature of the circumstances giving rise to the conflict of interest;
  - (b) The safeguards applied to address the threats when applicable; and
  - (c) The consent obtained.

#### *Other Considerations*

- 210.9 A1 When addressing a conflict of interest, the chartered accountant is encouraged to seek guidance from within the employing organization or from others, such as a professional body, legal counsel or another accountant. When making such disclosures or sharing information within the employing organization and seeking guidance of third parties, the principle of confidentiality applies.

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### SECTION 220

#### PREPARATION AND PRESENTATION OF INFORMATION

##### Introduction

- 220.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 220.2 Preparing or presenting information might create a self-interest, intimidation or other threats to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

- 220.3 A1 Chartered accountants at all levels in an employing organization are involved in the preparation or presentation of information both within and outside the organization.
- 220.3 A2 Stakeholders to whom, or for whom, such information is prepared or presented, include:
- Management and those charged with governance.
  - Investors and lenders or other creditors.
  - Regulatory bodies.

This information might assist stakeholders in understanding and evaluating aspects of the employing organization's state of affairs and in making decisions concerning the organization. Information can include financial and non-financial information that might be made public or used for internal purposes.

Examples include:

- Operating and performance reports.
- Decision support analyses.
- Budgets and forecasts.

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- Information provided to the internal and external auditors.
- Risk analyses.
- General and special purpose financial statements.
- Tax returns.
- Reports filed with regulatory bodies for legal and compliance purposes.

220.3 A3 For the purposes of this section, preparing or presenting information includes recording, maintaining and approving information.

**R220.4** When preparing or presenting information, a chartered accountant shall:

- (a) Prepare or present the information in accordance with a relevant reporting framework, where applicable;
- (b) Prepare or present the information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately;
- (c) Exercise professional judgment to:
  - (i) Represent the facts accurately and completely in all material respects;
  - (ii) Describe clearly the true nature of business transactions or activities; and
  - (iii) Classify and record information in a timely and proper manner; and
- (d) Not omit anything with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately.

220.4 A1 An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant or of a regulatory requirement such as a capital requirement for a financial institution.

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### Use of Discretion in Preparing or Presenting Information

**R220.5** Preparing or presenting information might require the exercise of discretion in making professional judgments. The chartered accountant shall not exercise such discretion with the intention of misleading others or influencing contractual or regulatory outcomes inappropriately.

220.5 A1 Examples of ways in which discretion might be misused to achieve inappropriate outcomes include:

- Determining estimates, for example, determining fair value estimates in order to misrepresent profit or loss.
- Selecting or changing an accounting policy or method among two or more alternatives permitted under the applicable financial reporting framework, for example, selecting a policy for accounting for long-term contracts in order to misrepresent profit or loss.
- Determining the timing of transactions, for example, timing the sale of an asset near the end of the fiscal year in order to mislead.
- Determining the structuring of transactions, for example, structuring financing transactions in order to misrepresent assets and liabilities or classification of cash flows.
- Selecting disclosures, for example, omitting or obscuring information relating to financial or operating risk in order to mislead.

**R220.6** When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the chartered accountant shall exercise professional judgment to identify and consider:

- (a) The purpose for which the information is to be used;
- (b) The context within which it is given; and
- (c) The audience to whom it is addressed.

220.6 A1 For example, when preparing or presenting pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who might rely on such information to form their own judgments.

220.6 A2 The chartered accountant might also consider clarifying the intended audience, context and purpose of the information to be presented.

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### **Relying on the Work of Others**

**R220.7** A chartered accountant who intends to rely on the work of others, either internal or external to the employing organization, shall exercise professional judgment to determine what steps to take, if any, in order to fulfill the responsibilities, set out in paragraph R220.4.

220.7 A1 Factors to consider in determining whether reliance on others is reasonable include:

- The reputation and expertise of, and resources available to, the other individual or organization.
- Whether the other individual is subject to applicable professional and ethics standards.

Such information might be gained from prior association with, or from consulting others about, the other individual or organization.

### **Addressing Information that is or Might be Misleading**

**R220.8** When the chartered accountant knows or has reason to believe that the information with which the accountant is associated is misleading, the accountant shall take appropriate actions to seek to resolve the matter.

220.8 A1 Actions that might be appropriate include:

- Discussing concerns that the information is misleading with the chartered accountant's superior and/or the appropriate level(s) of management within the accountant's employing organization or those charged with governance, and requesting such individuals to take appropriate action to resolve the matter. Such action might include:
  - Having the information corrected.
  - If the information has already been disclosed to the intended users, informing them of the correct information.
- Consulting the policies and procedures of the employing organization (for example, an ethics or whistle-blowing policy) regarding how to address such matters internally.

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220.8 A2 The chartered accountant might determine that the employing organization has not taken appropriate action. If the accountant continues to have reason to believe that the information is misleading, the following further actions might be appropriate provided that the accountant remains alert to the principle of confidentiality:

- Consulting with:
  - A relevant professional body.
  - The internal or external auditor of the employing organization.
  - Legal counsel.
- Determining whether any requirements exist to communicate to:
  - Third parties, including users of the information.
  - Regulatory and oversight authorities.

**R220.9** If after exhausting all feasible options, the chartered accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the accountant shall refuse to be or to remain associated with the information.

220.9 A1 In such circumstances, it might be appropriate for a chartered accountant to resign from the employing organization.

### **Documentation**

220.10 A1 The chartered accountant is encouraged to document:

- The facts.
- The accounting principles or other relevant professional standards involved.
- The communications and parties with whom matters were discussed.
- The courses of action considered.
- How the accountant attempted to address the matter(s).



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**Other Considerations**

- 220.11 A1 Where threats to compliance with the fundamental principles relating to the preparation or presentation of information arise from a financial interest, including compensation and incentives linked to financial reporting and decision making, the requirements and application material set out in Section 240 apply.
- 220.11 A2 Where the misleading information might involve non-compliance with laws and regulations, the requirements and application material set out in Section 260 apply.
- 220.11 A3 Where threats to compliance with the fundamental principles relating to the preparation or presentation of information arise from pressure, the requirements and application material set out in Section 270 apply.

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### SECTION 230

#### ACTING WITH SUFFICIENT EXPERTISE

##### Introduction

230.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

230.2 Acting without sufficient expertise creates a self-interest threat to compliance with the principle of professional competence and due care. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

##### General

**R230.3** A chartered accountant shall not intentionally mislead an employing organization as to the level of expertise or experience possessed.

230.3 A1 The principle of professional competence and due care requires that a chartered accountant only undertake significant tasks for which the accountant has, or can obtain, sufficient training or experience.

230.3 A2 A self-interest threat to compliance with the principle of professional competence and due care might be created if a chartered accountant has:

- Insufficient time for performing or completing the relevant duties.
- Incomplete, restricted or otherwise inadequate information for performing the duties.
- Insufficient experience, training and/or education.
- Inadequate resources for the performance of the duties.

230.3 A3 Factors that are relevant in evaluating the level of such a threat include:

- The extent to which the chartered accountant is working with others.
- The relative seniority of the accountant in the business.
- The level of supervision and review applied to the work.

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- 230.3 A4 Examples of actions that might be safeguards to address such a self-interest threat include:
- Obtaining assistance or training from someone with the necessary expertise.
  - Ensuring that there is adequate time available for performing the relevant duties.

**R230.4** If a threat to compliance with the principle of professional competence and due care cannot be addressed, a chartered accountant shall determine whether to decline to perform the duties in question. If the accountant determines that declining is appropriate, the accountant shall communicate the reasons.

### **Other Considerations**

- 230.5 A1 The requirements and application material in Section 270 apply when a chartered accountant is pressured to act in a manner that might lead to a breach of the principle of professional competence and due care.

## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

### SECTION 240

#### FINANCIAL INTERESTS, COMPENSATION AND INCENTIVES LINKED TO FINANCIAL REPORTING AND DECISION MAKING

##### Introduction

- 240.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 240.2 Having a financial interest, or knowing of a financial interest held by an immediate or close family member might create a self-interest threat to compliance with the principles of objectivity or confidentiality. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

- R240.3** A chartered accountant shall not manipulate information or use confidential information for personal gain or for the financial gain of others.
- 240.3 A1 Chartered accountants might have financial interests or might know of financial interests of immediate or close family members that, in certain circumstances, might create threats to compliance with the fundamental principles. Financial interests include those arising from compensation or incentive arrangements linked to financial reporting and decision making.
- 240.3 A2 Examples of circumstances that might create a self-interest threat include situations in which the chartered accountant or an immediate or close family member:
- Has a motive and opportunity to manipulate price-sensitive information in order to gain financially.
  - Holds a direct or indirect financial interest in the employing organization and the value of that financial interest might be directly affected by decisions made by the accountant.
  - Is eligible for a profit-related bonus and the value of that bonus might be directly affected by decisions made by the accountant.
  - Holds, directly or indirectly, deferred bonus share rights or share options in the employing organization, the value of which might be affected by decisions made by the accountant.

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- Participates in compensation arrangements which provide incentives to achieve targets or to support efforts to maximize the value of the employing organization's shares. An example of such an arrangement might be through participation in incentive plans which are linked to certain performance conditions being met.

240.3 A3 Factors that are relevant in evaluating the level of such a threat include:

- The significance of the financial interest. What constitutes a significant financial interest will depend on personal circumstances and the materiality of the financial interest to the individual.
- Policies and procedures for a committee independent of management to determine the level or form of senior management remuneration.
- In accordance with any internal policies, disclosure to those charged with governance of:
  - All relevant interests.
  - Any plans to exercise entitlements or trade in relevant shares.
- Internal and external audit procedures that are specific to address issues that give rise to the financial interest.

240.3 A4 Threats created by compensation or incentive arrangements might be compounded by explicit or implicit pressure from superiors or colleagues. See Section 270, *Pressure to Breach the Fundamental Principles*.

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### SECTION 250

#### INDUCEMENTS, INCLUDING GIFTS AND HOSPITALITY

##### Introduction

- 250.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 250.2 Offering or accepting inducements might create a self-interest, familiarity or intimidation threat to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional behavior.
- 250.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to the offering and accepting of inducements when undertaking professional activities that does not constitute non-compliance with laws and regulations. This section also requires a chartered accountant to comply with relevant laws and regulations when offering or accepting inducements.

##### Requirements and Application Material

###### General

- 250.4 A1 An inducement is an object, situation, or action that is used as a means to influence another individual's behavior, but not necessarily with the intent to improperly influence that individual's behavior. Inducements can range from minor acts of hospitality between business colleagues to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example:
- Gifts.
  - Hospitality.
  - Entertainment.
  - Political or charitable donations.
  - Appeals to friendship and loyalty.
  - Employment or other commercial opportunities.
  - Preferential treatment, rights or privileges.

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### **Inducements Prohibited by Laws and Regulations**

**R250.5** In many jurisdictions, there are laws and regulations, such as those related to bribery and corruption, that prohibit the offering or accepting of inducements in certain circumstances. The chartered accountant shall obtain an understanding of relevant laws and regulations and comply with them when the accountant encounters such circumstances.

### **Inducements Not Prohibited by Laws and Regulations**

250.6 A1 The offering or accepting of inducements that is not prohibited by laws and regulations might still create threats to compliance with the fundamental principles.

#### *Inducements with Intent to Improperly Influence Behavior*

**R250.7** A chartered accountant shall not offer, or encourage others to offer, any inducement that is made, or which the accountant considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behavior of the recipient or of another individual.

**R250.8** A chartered accountant shall not accept, or encourage others to accept, any inducement that the accountant concludes is made, or considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behavior of the recipient or of another individual.

250.9 A1 An inducement is considered as improperly influencing an individual's behavior if it causes the individual to act in an unethical manner. Such improper influence can be directed either towards the recipient or towards another individual who has some relationship with the recipient. The fundamental principles are an appropriate frame of reference for a chartered accountant in considering what constitutes unethical behavior on the part of the accountant and, if necessary by analogy, other individuals.

250.9 A2 A breach of the fundamental principle of integrity arises when a chartered accountant offers or accepts, or encourages others to offer or accept, an inducement where the intent is to improperly influence the behavior of the recipient or of another individual.

250.9 A3 The determination of whether there is actual or perceived intent to improperly influence behavior requires the exercise of professional judgment. Relevant factors to consider might include:

- The nature, frequency, value and cumulative effect of the inducement.

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- Timing of when the inducement is offered relative to any action or decision that it might influence.
- Whether the inducement is a customary or cultural practice in the circumstances, for example, offering a gift on the occasion of a religious holiday or wedding.
- Whether the inducement is an ancillary part of a professional activity, for example, offering or accepting lunch in connection with a business meeting.
- Whether the offer of the inducement is limited to an individual recipient or available to a broader group. The broader group might be internal or external to the employing organization, such as other customers or vendors.
- The roles and positions of the individuals offering or being offered the inducement.
- Whether the chartered accountant knows, or has reason to believe, that accepting the inducement would breach the policies and procedures of the counterparty's employing organization.
- The degree of transparency with which the inducement is offered.
- Whether the inducement was required or requested by the recipient.
- The known previous behavior or reputation of the offeror.

### Consideration of Further Actions

250.10 A1 If the chartered accountant becomes aware of an inducement offered with actual or perceived intent to improperly influence behavior, threats to compliance with the fundamental principles might still be created even if the requirements in paragraphs R250.7 and R250.8 are met.

250.10 A2 Examples of actions that might be safeguards to address such threats include:

- Informing senior management or those charged with governance of the employing organization of the chartered accountant or the offeror regarding the offer.
- Amending or terminating the business relationship with the offeror.



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### *Inducements with No Intent to Improperly Influence Behavior*

- 250.11 A1 The requirements and application material set out in the conceptual framework apply when a chartered accountant has concluded there is no actual or perceived intent to improperly influence the behavior of the recipient or of another individual.
- 250.11 A2 If such an inducement is trivial and inconsequential, any threats created will be at an acceptable level.
- 250.11 A3 Examples of circumstances where offering or accepting such an inducement might create threats even if the chartered accountant has concluded there is no actual or perceived intent to improperly influence behavior include:
- Self-interest threats
    - A chartered accountant is offered part-time employment by a vendor.
  - Familiarity threats
    - A chartered accountant regularly takes a customer or supplier to sporting events.
  - Intimidation threats
    - A chartered accountant accepts hospitality, the nature of which could be perceived to be inappropriate were it to be publicly disclosed.
- 250.11 A4 Relevant factors in evaluating the level of such threats created by offering or accepting such an inducement include the same factors set out in paragraph 250.9 A3 for determining intent.
- 250.11 A5 Examples of actions that might eliminate threats created by offering or accepting such an inducement include:
- Declining or not offering the inducement.
  - Transferring responsibility for any business-related decision involving the counterparty to another individual who the chartered accountant has no reason to believe would be, or would be perceived to be, improperly influenced in making the decision.
- 250.11 A6 Examples of actions that might be safeguards to address such threats created by offering or accepting such an inducement include:

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- Being transparent with senior management or those charged with governance of the employing organization of the chartered accountant or of the counterparty about offering or accepting an inducement.
- Registering the inducement in a log maintained by the employing organization of the accountant or the counterparty.
- Having an appropriate reviewer, who is not otherwise involved in undertaking the professional activity, review any work performed or decisions made by the accountant with respect to the individual or organization from which the accountant accepted the inducement.
- Donating the inducement to charity after receipt and appropriately disclosing the donation, for example, to those charged with governance or the individual who offered the inducement.
- Reimbursing the cost of the inducement, such as hospitality, received.
- As soon as possible, returning the inducement, such as a gift, after it was initially accepted.

### **Immediate or Close Family Members**

**R250.12** A chartered accountant shall remain alert to potential threats to the accountant's compliance with the fundamental principles created by the offering of an inducement:

- (a) By an immediate or close family member of the accountant to a counterparty with whom the accountant has a professional relationship; or
- (b) To an immediate or close family member of the accountant by a counterparty with whom the accountant has a professional relationship.

**R250.13** Where the chartered accountant becomes aware of an inducement being offered to or made by an immediate or close family member and concludes there is intent to improperly influence the behavior of the accountant or of the counterparty, or considers a reasonable and informed third party would be likely to conclude such intent exists, the accountant shall advise the immediate or close family member not to offer or accept the inducement.

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250.13 A1 The factors set out in paragraph 250.9 A3 are relevant in determining whether there is actual or perceived intent to improperly influence the behavior of the chartered accountant or of the counterparty. Another factor that is relevant is the nature or closeness of the relationship, between:

- (a) The accountant and the immediate or close family member;
- (b) The immediate or close family member and the counterparty; and
- (c) The accountant and the counterparty.

For example, the offer of employment, outside of the normal recruitment process, to the spouse of the accountant by a counterparty with whom the accountant is negotiating a significant contract might indicate such intent.

250.13 A2 The application material in paragraph 250.10 A2 is also relevant in addressing threats that might be created when there is actual or perceived intent to improperly influence the behavior of the chartered accountant or of the counterparty even if the immediate or close family member has followed the advice given pursuant to paragraph R250.13.

### *Application of the Conceptual Framework*

250.14 A1 Where the chartered accountant becomes aware of an inducement offered in the circumstances addressed in paragraph R250.12, threats to compliance with the fundamental principles might be created where:

- (a) The immediate or close family member offers or accepts the inducement contrary to the advice of the accountant pursuant to paragraph R250.13; or
- (b) The accountant does not have reason to believe an actual or perceived intent to improperly influence the behavior of the accountant or of the counterparty exists.

250.14 A2 The application material in paragraphs 250.11 A1 to 250.11 A6 is relevant for the purposes of identifying, evaluating and addressing such threats. Factors that are relevant in evaluating the level of threats in these circumstances also include the nature or closeness of the relationships set out in paragraph 250.13 A1.

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**Other Considerations**

- 250.15 A1 If a chartered accountant is offered an inducement by the employing organization relating to financial interests, compensation and incentives linked to performance, the requirements and application material set out in Section 240 apply.
- 250.15 A2 If a chartered accountant encounters or is made aware of inducements that might result in non-compliance or suspected non-compliance with laws and regulations by other individuals working for or under the direction of the employing organization, the requirements and application material set out in Section 260 apply.
- 250.15 A3 If a chartered accountant faces pressure to offer or accept inducements that might create threats to compliance with the fundamental principles, the requirements and application material set out in Section 270 apply.

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### SECTION 260

#### RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

##### Introduction

- 260.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 260.2 A self-interest or intimidation threat to compliance with the principles of integrity and professional behavior is created when a chartered accountant becomes aware of non-compliance or suspected non-compliance with laws and regulations.
- 260.3 A chartered accountant might encounter or be made aware of non-compliance or suspected non-compliance in the course of carrying out professional activities. This section guides the accountant in assessing the implications of the matter and the possible courses of action when responding to non-compliance or suspected non-compliance with:
- (a) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the employing organization's financial statements; and
  - (b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the employing organization's financial statements, but compliance with which might be fundamental to the operating aspects of the employing organization's business, to its ability to continue its business, or to avoid material penalties.

##### Objectives of the Chartered Accountant in Relation to Non-compliance with Laws and Regulations

- 260.4 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. When responding to non-compliance or suspected non-compliance, the objectives of the chartered accountant are:
- (a) To comply with the principles of integrity and professional behavior;
  - (b) By alerting management or, where appropriate, those charged with governance of the employing organization, to seek to:
    - (i) Enable them to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance; or

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- (ii) Deter the non-compliance where it has not yet occurred; and
- (c) To take such further action as appropriate in the public interest.

### **Requirements and Application Material**

#### **General**

- 260.5 A1 Non-compliance with laws and regulations (“non-compliance”) comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:
- (a) The chartered accountant’s employing organization;
  - (b) Those charged with governance of the employing organization;
  - (c) Management of the employing organization; or
  - (d) Other individuals working for or under the direction of the employing organization.
- 260.5 A2 Examples of laws and regulations which this section addresses include those that deal with:
- Fraud, corruption and bribery.
  - Money laundering, terrorist financing and proceeds of crime.
  - Securities markets and trading.
  - Banking and other financial products and services.
  - Data protection.
  - Tax and pension liabilities and payments.
  - Environmental protection.
  - Public health and safety.
- 260.5 A3 Non-compliance might result in fines, litigation or other consequences for the employing organization, potentially materially affecting its financial statements. Importantly, such non-compliance might have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public. For the purposes of this section, non-compliance that causes substantial harm is one that results in serious

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adverse consequences to any of these parties in financial or non-financial terms. Examples include the perpetration of a fraud resulting in significant financial losses to investors, and breaches of environmental laws and regulations endangering the health or safety of employees or the public.

**R260.6** In some jurisdictions, there are legal or regulatory provisions governing how chartered accountants are required to address non-compliance or suspected non-compliance. These legal or regulatory provisions might differ from or go beyond the provisions in this section. When encountering such non-compliance or suspected non-compliance, the accountant shall obtain an understanding of those legal or regulatory provisions and comply with them, including:

- (a) Any requirement to report the matter to an appropriate authority; and
- (b) Any prohibition on alerting the relevant party.

260.6 A1 A prohibition on alerting the relevant party might arise, for example, pursuant to anti-money laundering legislation.

260.7 A1 This section applies regardless of the nature of the employing organization, including whether or not it is a public interest entity.

260.7 A2 A chartered accountant who encounters or is made aware of matters that are clearly inconsequential is not required to comply with this section. Whether a matter is clearly inconsequential is to be judged with respect to its nature and its impact, financial or otherwise, on the employing organization, its stakeholders and the general public.

260.7 A3 This section does not address:

- (a) Personal misconduct unrelated to the business activities of the employing organization; and
- (b) Non-compliance by parties other than those specified in paragraph 260.5 A1.

The chartered accountant might nevertheless find the guidance in this section helpful in considering how to respond in these situations.

### **Responsibilities of the Employing Organization's Management and Those Charged with Governance**

260.8 A1 The employing organization's management, with the oversight of those charged with governance, is responsible for ensuring that the employing organization's business activities are conducted in accordance with laws and regulations. Management and those charged with governance are also responsible for identifying and addressing any non-compliance by:

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- (a) The employing organization;
- (b) An individual charged with governance of the employing organization;
- (c) A member of management; or
- (d) Other individuals working for or under the direction of the employing organization.

### **Responsibilities of All Chartered Accountants**

**R260.9** If protocols and procedures exist within the chartered accountant's employing organization to address non-compliance or suspected non-compliance, the accountant shall consider them in determining how to respond to such non-compliance.

260.9 A1 Many employing organizations have established protocols and procedures regarding how to raise non-compliance or suspected non-compliance internally. These protocols and procedures include, for example, an ethics policy or internal whistle-blowing mechanism. Such protocols and procedures might allow matters to be reported anonymously through designated channels.

**R260.10** Where a chartered accountant becomes aware of a matter to which this section applies, the steps that the accountant takes to comply with this section shall be taken on a timely basis. For the purpose of taking timely steps, the accountant shall have regard to the nature of the matter and the potential harm to the interests of the employing organization, investors, creditors, employees or the general public.

### **Responsibilities of Senior Chartered Accountants in Business**

260.11 A1 Senior chartered accountants in business ("senior chartered accountants") are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organization's human, financial, technological, physical and intangible resources. There is a greater expectation for such individuals to take whatever action is appropriate in the public interest to respond to non-compliance or suspected non-compliance than other chartered accountants within the employing organization. This is because of senior chartered accountants' roles, positions and spheres of influence within the employing organization.



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### *Obtaining an Understanding of the Matter*

**R260.12** If, in the course of carrying out professional activities, a senior chartered accountant becomes aware of information concerning non-compliance or suspected non-compliance, the accountant shall obtain an understanding of the matter. This understanding shall include:

- (a) The nature of the non-compliance or suspected non-compliance and the circumstances in which it has occurred or might occur;
- (b) The application of the relevant laws and regulations to the circumstances; and
- (c) An assessment of the potential consequences to the employing organization, investors, creditors, employees or the wider public.

260.12 A1 A senior chartered accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of understanding of laws and regulations greater than that which is required for the accountant's role within the employing organization. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

260.12 A2 Depending on the nature and significance of the matter, the senior chartered accountant might cause, or take appropriate steps to cause, the matter to be investigated internally. The accountant might also consult on a confidential basis with others within the employing organization or a professional body, or with legal counsel.

### *Addressing the Matter*

**R260.13** If the senior chartered accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall, subject to paragraph R260.9, discuss the matter with the accountant's immediate superior, if any. If the accountant's immediate superior appears to be involved in the matter, the accountant shall discuss the matter with the next higher level of authority within the employing organization.

260.13 A1 The purpose of the discussion is to enable a determination to be made as to how to address the matter.

**R260.14** The senior chartered accountant shall also take appropriate steps to:

- (a) Have the matter communicated to those charged with governance;
- (b) Comply with applicable laws and regulations, including legal or regulatory provisions governing the reporting of non-compliance or suspected non-compliance to an appropriate authority;

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- (c) Have the consequences of the non-compliance or suspected non-compliance rectified, remediated or mitigated;
- (d) Reduce the risk of re-occurrence; and
- (e) Seek to deter the commission of the non-compliance if it has not yet occurred.

260.14 A1 The purpose of communicating the matter to those charged with governance is to obtain their concurrence regarding appropriate actions to take to respond to the matter and to enable them to fulfill their responsibilities.

260.14 A2 Some laws and regulations might stipulate a period within which reports of non-compliance or suspected non-compliance are to be made to an appropriate authority.

**R260.15** In addition to responding to the matter in accordance with the provisions of this section, the senior chartered accountant shall determine whether disclosure of the matter to the employing organization's external auditor, if any, is needed.

260.15 A1 Such disclosure would be pursuant to the senior chartered accountant's duty or legal obligation to provide all information necessary to enable the auditor to perform the audit.

*Determining Whether Further Action Is Needed*

**R260.16** The senior chartered accountant shall assess the appropriateness of the response of the accountant's superiors, if any, and those charged with governance.

260.16 A1 Relevant factors to consider in assessing the appropriateness of the response of the senior chartered accountant's superiors, if any, and those charged with governance include whether:

- The response is timely.
- They have taken or authorized appropriate action to seek to rectify, remediate or mitigate the consequences of the non-compliance, or to avert the non-compliance if it has not yet occurred.
- The matter has been disclosed to an appropriate authority where appropriate and, if so, whether the disclosure appears adequate.

**R260.17** In light of the response of the senior chartered accountant's superiors, if any, and those charged with governance, the accountant shall determine if further action is needed in the public interest.

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- 260.17 A1 The determination of whether further action is needed, and the nature and extent of it, will depend on various factors, including:
- The legal and regulatory framework.
  - The urgency of the situation.
  - The pervasiveness of the matter throughout the employing organization.
  - Whether the senior chartered accountant continues to have confidence in the integrity of the accountant's superiors and those charged with governance.
  - Whether the non-compliance or suspected non-compliance is likely to recur.
  - Whether there is credible evidence of actual or potential substantial harm to the interests of the employing organization, investors, creditors, employees or the general public.
- 260.17 A2 Examples of circumstances that might cause the senior chartered accountant no longer to have confidence in the integrity of the accountant's superiors and those charged with governance include situations where:
- The accountant suspects or has evidence of their involvement or intended involvement in any non-compliance.
  - Contrary to legal or regulatory requirements, they have not reported, or authorized the reporting of, the matter to an appropriate authority within a reasonable period.
- R260.18** The senior chartered accountant shall exercise professional judgment in determining the need for, and nature and extent of, further action. In making this determination, the accountant shall take into account whether a reasonable and informed third party would be likely to conclude that the accountant has acted appropriately in the public interest.
- 260.18 A1 Further action that the senior chartered accountant might take includes:
- Informing the management of the parent entity of the matter if the employing organization is a member of a group.
  - Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so.
  - Resigning from the employing organization.

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260.18 A2 Resigning from the employing organization is not a substitute for taking other actions that might be needed to achieve the senior chartered accountant's objectives under this section. In some jurisdictions, however, there might be limitations as to the further actions available to the accountant. In such circumstances, resignation might be the only available course of action.

### Seeking Advice

260.19 A1 As assessment of the matter might involve complex analysis and judgments, the senior chartered accountant might consider:

- Consulting internally.
- Obtaining legal advice to understand the accountant's options and the professional or legal implications of taking any particular course of action.
- Consulting on a confidential basis with a regulatory or professional body.

### Determining Whether to Disclose the Matter to an Appropriate Authority

260.20 A1 Disclosure of the matter to an appropriate authority would be precluded if doing so would be contrary to law or regulation. Otherwise, the purpose of making disclosure is to enable an appropriate authority to cause the matter to be investigated and action to be taken in the public interest.

260.20 A2 The determination of whether to make such a disclosure depends in particular on the nature and extent of the actual or potential harm that is or might be caused by the matter to investors, creditors, employees or the general public. For example, the senior chartered accountant might determine that disclosure of the matter to an appropriate authority is an appropriate course of action if:

- The employing organization is engaged in bribery (for example, of local or foreign government officials for purposes of securing large contracts).
- The employing organization is regulated and the matter is of such significance as to threaten its license to operate.
- The employing organization is listed on a securities exchange and the matter might result in adverse consequences to the fair and orderly market in the employing organization's securities or pose a systemic risk to the financial markets.

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- It is likely that the employing organization would sell products that are harmful to public health or safety.
- The employing organization is promoting a scheme to its clients to assist them in evading taxes.

260.20 A3 The determination of whether to make such a disclosure will also depend on external factors such as:

- Whether there is an appropriate authority that is able to receive the information, and cause the matter to be investigated and action to be taken. The appropriate authority will depend upon the nature of the matter. For example, the appropriate authority would be a securities regulator in the case of fraudulent financial reporting or an environmental protection agency in the case of a breach of environmental laws and regulations.
- Whether there exists robust and credible protection from civil, criminal or professional liability or retaliation afforded by legislation or regulation, such as under whistle-blowing legislation or regulation.
- Whether there are actual or potential threats to the physical safety of the senior chartered accountant or other individuals.

**R260.21** If the senior chartered accountant determines that disclosure of the matter to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.1(d) of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions.

### *Imminent Breach*

**R260.22** In exceptional circumstances, the senior chartered accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or those charged with governance of the employing organization, the accountant shall exercise professional judgment and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.1(d) of the Code.

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### *Documentation*

260.23 A1 In relation to non-compliance or suspected non-compliance that falls within the scope of this section, the senior chartered accountant is encouraged to have the following matters documented:

- The matter.
- The results of discussions with the accountant's superiors, if any, and those charged with governance and other parties.
- How the accountant's superiors, if any, and those charged with governance have responded to the matter.
- The courses of action the accountant considered, the judgments made and the decisions that were taken.
- How the accountant is satisfied that the accountant has fulfilled the responsibility set out in paragraph R260.17.

### **Responsibilities of Chartered Accountants Other than Senior Chartered Accountants**

**R260.24** If, in the course of carrying out professional activities, a chartered accountant becomes aware of information concerning non-compliance or suspected non-compliance, the accountant shall seek to obtain an understanding of the matter. This understanding shall include the nature of the non-compliance or suspected non-compliance and the circumstances in which it has occurred or might occur.

260.24 A1 The chartered accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of understanding of laws and regulations greater than that which is required for the accountant's role within the employing organization. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

260.24 A2 Depending on the nature and significance of the matter, the chartered accountant might consult on a confidential basis with others within the employing organization or a professional body, or with legal counsel.

**R260.25** If the chartered accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall, subject to paragraph R260.9, inform an immediate superior to enable the superior to take appropriate action. If the accountant's immediate superior appears to be involved in the matter, the accountant shall inform the next higher level of authority within the employing organization.

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**R260.26** In exceptional circumstances, the chartered accountant may determine that disclosure of the matter to an appropriate authority is an appropriate course of action. If the accountant does so pursuant to paragraphs 260.20 A2 and A3, that disclosure is permitted pursuant to paragraph R114.1(d) of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions.

**Documentation**

260.27 A1 In relation to non-compliance or suspected non-compliance that falls within the scope of this section, the chartered accountant is encouraged to have the following matters documented:

- The matter.
- The results of discussions with the accountant's superior, management and, where applicable, those charged with governance and other parties.
- How the accountant's superior has responded to the matter.
- The courses of action the accountant considered, the judgments made and the decisions that were taken.

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### SECTION 270

#### PRESSURE TO BREACH THE FUNDAMENTAL PRINCIPLES

##### Introduction

270.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

270.2 Pressure exerted on, or by, a chartered accountant might create an intimidation or other threat to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

##### General

**R270.3** A chartered accountant shall not:

- (a) Allow pressure from others to result in a breach of compliance with the fundamental principles; or
- (b) Place pressure on others that the accountant knows, or has reason to believe, would result in the other individuals breaching the fundamental principles.

270.3 A1 A chartered accountant might face pressure that creates threats to compliance with the fundamental principles, for example an intimidation threat, when undertaking a professional activity. Pressure might be explicit or implicit and might come from:

- Within the employing organization, for example, from a colleague or superior.
- An external individual or organization such as a vendor, customer or lender.
- Internal or external targets and expectations.

270.3 A2 Examples of pressure that might result in threats to compliance with the fundamental principles include:



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- Pressure related to conflicts of interest:
  - Pressure from a family member bidding to act as a vendor to the chartered accountant's employing organization to select the family member over another prospective vendor.

See also Section 210, *Conflicts of Interest*.

- Pressure to influence preparation or presentation of information:
  - Pressure to report misleading financial results to meet investor, analyst or lender expectations.
  - Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.
  - Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions.
  - Pressure from superiors to approve or process expenditures that are not legitimate business expenses.
  - Pressure to suppress internal audit reports containing adverse findings.

See also Section 220, *Preparation and Presentation of Information*.

- Pressure to act without sufficient expertise or due care:
  - Pressure from superiors to inappropriately reduce the extent of work performed.
  - Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.

See also Section 230, *Acting with Sufficient Expertise*.

- Pressure related to financial interests:
  - Pressure from superiors, colleagues or others, for example, those who might benefit from participation in compensation or incentive arrangements to manipulate performance indicators.

See also Section 240, *Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making*.

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- Pressure related to inducements:
  - Pressure from others, either internal or external to the employing organization, to offer inducements to influence inappropriately the judgment or decision making process of an individual or organization.
  - Pressure from colleagues to accept a bribe or other inducement, for example to accept inappropriate gifts or entertainment from potential vendors in a bidding process.

See also Section 250, *Inducements, Including Gifts and Hospitality*.

- Pressure related to non-compliance with laws and regulations:
  - Pressure to structure a transaction to evade tax.

See also Section 260, *Responding to Non-compliance with Laws and Regulations*.

270.3 A3 Factors that are relevant in evaluating the level of threats created by pressure include:

- The intent of the individual who is exerting the pressure and the nature and extent of the pressure.
- The application of laws, regulations, and professional standards to the circumstances.
- The culture and leadership of the employing organization including the extent to which they reflect or emphasize the importance of ethical behavior and the expectation that employees will act ethically. For example, a corporate culture that tolerates unethical behavior might increase the likelihood that the pressure would result in a threat to compliance with the fundamental principles.
- Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure.

270.3 A4 Discussing the circumstances creating the pressure and consulting with others about those circumstances might assist the chartered accountant to evaluate the level of the threat. Such discussion and consultation, which requires being alert to the principle of confidentiality, might include:

- Discussing the matter with the individual who is exerting the pressure to seek to resolve it.

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- Discussing the matter with the accountant's superior, if the superior is not the individual exerting the pressure.
- Escalating the matter within the employing organization, including when appropriate, explaining any consequential risks to the organization, for example with:
  - Higher levels of management.
  - Internal or external auditors.
  - Those charged with governance.
- Disclosing the matter in line with the employing organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline.
- Consulting with:
  - A colleague, superior, human resources personnel, or another chartered accountant;
  - Relevant professional or regulatory bodies or industry associations; or
  - Legal counsel.

270.3 A5 An example of an action that might eliminate threats created by pressure is the chartered accountant's request for a restructure of, or segregation of, certain responsibilities and duties so that the accountant is no longer involved with the individual or entity exerting the pressure.

### **Documentation**

270.4 A1 The chartered accountant is encouraged to document:

- The facts.
- The communications and parties with whom these matters were discussed.
- The courses of action considered.
- How the matter was addressed.

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**PART 3 - CHARTERED ACCOUNTANTS IN PRACTICE**

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## **PART 3 - CHARTERED ACCOUNTANTS IN PRACTICE**

### **SECTION 300**

#### **APPLYING THE CONCEPTUAL FRAMEWORK – CHARTERED ACCOUNTANTS IN PRACTICE**

##### **Introduction**

300.1 This Part of the Code sets out requirements and application material for chartered accountants in practice when applying the conceptual framework set out in Section 120. It does not describe all of the facts and circumstances, including professional activities, interests and relationships, that could be encountered by chartered accountants in practice, which create or might create threats to compliance with the fundamental principles. Therefore, the conceptual framework requires chartered accountants in practice to be alert for such facts and circumstances.

300.2 The requirements and application material that apply to chartered accountants in practice are set out in:

- Part 3 – *Chartered Accountants in Practice*, Sections 300 to 399, which applies to all chartered accountants in practice, whether they provide assurance services or not.
- *International Independence Standards* as follows:
  - Part 4A – *Independence for Audit and Review Engagements*, Sections 400 to 899, which applies to chartered accountants in practice when performing audit and review engagements.
  - Part 4B – *Independence for Assurance Engagements Other than Audit and Review Engagements*, Sections 900 to 999, which applies to chartered accountants in practice when performing assurance engagements other than audit or review engagements.

300.3 In this Part, the term “chartered accountant” refers to individual chartered accountants in practice and their firms.

##### **Requirements and Application Material**

###### **General**

**R300.4** A chartered accountant shall comply with the fundamental principles set out in Section 110 and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to compliance with the fundamental principles.

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**R300.5** When dealing with an ethics issue, the chartered accountant shall consider the context in which the issue has arisen or might arise. Where an individual who is a chartered accountant in practice is performing professional activities pursuant to the accountant's relationship with the firm, whether as a contractor, employee or owner, the individual shall comply with the provisions in Part 2 that apply to these circumstances.

300.5 A1 Examples of situations in which the provisions in Part 2 apply to a chartered accountant in practice include:

- Facing a conflict of interest when being responsible for selecting a vendor for the firm when an immediate family member of the accountant might benefit financially from the contract. The requirements and application material set out in Section 210 apply in these circumstances.
- Preparing or presenting financial information for the accountant's client or firm. The requirements and application material set out in Section 220 apply in these circumstances.
- Being offered an inducement such as being regularly offered complimentary tickets to attend sporting events by a supplier of the firm. The requirements and application material set out in Section 250 apply in these circumstances.
- Facing pressure from an engagement partner to report chargeable hours inaccurately for a client engagement. The requirements and application material set out in Section 270 apply in these circumstances.

### Identifying Threats

300.6 A1 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories of threats that might create threats for a chartered accountant when undertaking a professional service:

- (a) Self-interest Threats
- A chartered accountant having a direct financial interest in a client.
  - A chartered accountant quoting a low fee to obtain a new engagement and the fee is so low that it might be difficult to perform the professional service in accordance with applicable technical and professional standards for that price.

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- A chartered accountant having a close business relationship with a client.
- A chartered accountant having access to confidential information that might be used for personal gain.
- A chartered accountant discovering a significant error when evaluating the results of a previous professional service performed by a member of the accountant's firm.

### (b) Self-review Threats

- A chartered accountant issuing an assurance report on the effectiveness of the operation of financial systems after implementing the systems.
- A chartered accountant having prepared the original data used to generate records that are the subject matter of the assurance engagement.

### (c) Advocacy Threats

- A chartered accountant promoting the interests of, or shares in, a client.
- A chartered accountant acting as an advocate on behalf of a client in litigation or disputes with third parties.
- A chartered accountant lobbying in favor of legislation on behalf of a client.

### (d) Familiarity Threats

- A chartered accountant having a close or immediate family member who is a director or officer of the client.
- A director or officer of the client, or an employee in a position to exert significant influence over the subject matter of the engagement, having recently served as the engagement partner.
- An audit team member having a long association with the audit client.

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### (e) Intimidation Threats

- A chartered accountant being threatened with dismissal from a client engagement or the firm because of a disagreement about a professional matter.
- A chartered accountant feeling pressured to agree with the judgment of a client because the client has more expertise on the matter in question.
- A chartered accountant being informed that a planned promotion will not occur unless the accountant agrees with an inappropriate accounting treatment.
- A chartered accountant having accepted a significant gift from a client and being threatened that acceptance of this gift will be made public.

### **Evaluating Threats**

300.7 A1 The conditions, policies and procedures described in paragraph 120.6 A1 and 120.8 A2 might impact the evaluation of whether a threat to compliance with the fundamental principles is at an acceptable level. Such conditions, policies and procedures might relate to:

- (a) The client and its operating environment; and
- (b) The firm and its operating environment.

300.7 A2 The chartered accountant's evaluation of the level of a threat is also impacted by the nature and scope of the professional service.

### *The Client and its Operating Environment*

300.7 A3 The chartered accountant's evaluation of the level of a threat might be impacted by whether the client is:

- (a) An audit client and whether the audit client is a public interest entity;
- (b) An assurance client that is not an audit client; or
- (c) A non-assurance client.

For example, providing a non-assurance service to an audit client that is a public interest entity might be perceived to result in a higher level of threat to compliance with the principle of objectivity with respect to the audit.



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300.7 A4 The corporate governance structure, including the leadership of a client might promote compliance with the fundamental principles. Accordingly, a chartered accountant's evaluation of the level of a threat might also be impacted by a client's operating environment. For example:

- The client requires appropriate individuals other than management to ratify or approve the appointment of a firm to perform an engagement.
- The client has competent employees with experience and seniority to make managerial decisions.
- The client has implemented internal procedures that facilitate objective choices in tendering non-assurance engagements.
- The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services.

### *The Firm and its Operating Environment*

300.7 A5 A chartered accountant's evaluation of the level of a threat might be impacted by the work environment within the accountant's firm and its operating environment. For example:

- Leadership of the firm that promotes compliance with the fundamental principles and establishes the expectation that assurance team members will act in the public interest.
- Policies or procedures for establishing and monitoring compliance with the fundamental principles by all personnel.
- Compensation, performance appraisal and disciplinary policies and procedures that promote compliance with the fundamental principles.
- Management of the reliance on revenue received from a single client.
- The engagement partner having authority within the firm for decisions concerning compliance with the fundamental principles, including decisions about accepting or providing services to a client.
- Educational, training and experience requirements.
- Processes to facilitate and address internal and external concerns or complaints.

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### *Consideration of New Information or Changes in Facts and Circumstances*

300.7 A6 New information or changes in facts and circumstances might:

- (a) Impact the level of a threat; or
- (b) Affect the chartered accountant's conclusions about whether safeguards applied continue to address identified threats as intended.

In these situations, actions that were already implemented as safeguards might no longer be effective in addressing threats. Accordingly, the application of the conceptual framework requires that the chartered accountant re-evaluate and address the threats accordingly. (Ref: Paras. R120.9 and R120.10).

300.7 A7 Examples of new information or changes in facts and circumstances that might impact the level of a threat include:

- When the scope of a professional service is expanded.
- When the client becomes a listed entity or acquires another business unit.
- When the firm merges with another firm.
- When the chartered accountant is jointly engaged by two clients and a dispute emerges between the two clients.
- When there is a change in the chartered accountant's personal or immediate family relationships.

### **Addressing Threats**

300.8 A1 Paragraphs R120.10 to 120.10 A2 set out requirements and application material for addressing threats that are not at an acceptable level.

### *Examples of Safeguards*

300.8 A2 Safeguards vary depending on the facts and circumstances. Examples of actions that in certain circumstances might be safeguards to address threats include:

- Assigning additional time and qualified personnel to required tasks when an engagement has been accepted might address a self-interest threat.

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- Having an appropriate reviewer who was not a member of the team review the work performed or advise as necessary might address a self-review threat.
- Using different partners and engagement teams with separate reporting lines for the provision of non-assurance services to an assurance client might address self-review, advocacy or familiarity threats.
- Involving another firm to perform or re-perform part of the engagement might address self-interest, self-review, advocacy, familiarity or intimidation threats.
- Disclosing to clients any referral fees or commission arrangements received for recommending services or products might address a self-interest threat.
- Separating teams when dealing with matters of a confidential nature might address a self-interest threat.

300.8 A3 The remaining sections of Part 3 and *International Independence Standards* describe certain threats that might arise during the course of performing professional services and include examples of actions that might address threats.

### Appropriate Reviewer

300.8 A4 An appropriate reviewer is a professional with the necessary knowledge, skills, experience and authority to review, in an objective manner, the relevant work performed or service provided. Such an individual might be a chartered accountant.

### Communicating with Those Charged with Governance

**R300.9** When communicating with those charged with governance in accordance with the Code, a chartered accountant shall determine the appropriate individual(s) within the entity's governance structure with whom to communicate. If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.

300.9 A1 In determining with whom to communicate, a chartered accountant might consider:

- (a) The nature and importance of the circumstances; and
- (b) The matter to be communicated.

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- 300.9 A2 Examples of a subgroup of those charged with governance include an audit committee or an individual member of those charged with governance.
- R300.10** If a chartered accountant communicates with individuals who have management responsibilities as well as governance responsibilities, the accountant shall be satisfied that communication with those individuals adequately informs all of those in a governance role with whom the accountant would otherwise communicate.
- 300.10 A1 In some circumstances, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters are communicated to individual(s) with management responsibilities, and those individual(s) also have governance responsibilities, the chartered accountant has satisfied the requirement to communicate with those charged with governance.

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### SECTION 310

#### CONFLICTS OF INTEREST

##### Introduction

- 310.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 310.2 A conflict of interest creates threats to compliance with the principle of objectivity and might create threats to compliance with the other fundamental principles. Such threats might be created when:
- (a) A chartered accountant provides a professional service related to a particular matter for two or more clients whose interests with respect to that matter are in conflict; or
  - (b) The interests of a chartered accountant with respect to a particular matter and the interests of the client for whom the accountant provides a professional service related to that matter are in conflict.
- 310.3 This section sets out specific requirements and application material relevant to applying the conceptual framework to conflicts of interest. When a chartered accountant provides an audit, review or other assurance service, independence is also required in accordance with *International Independence Standards*.

##### Requirements and Application Material

###### General

- R310.4** A chartered accountant shall not allow a conflict of interest to compromise professional or business judgment.
- 310.4 A1 Examples of circumstances that might create a conflict of interest include:
- Providing a transaction advisory service to a client seeking to acquire an audit client, where the firm has obtained confidential information during the course of the audit that might be relevant to the transaction.
  - Providing advice to two clients at the same time where the clients are competing to acquire the same company and the advice might be relevant to the parties' competitive positions.

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- Providing services to a seller and a buyer in relation to the same transaction.
- Preparing valuations of assets for two parties who are in an adversarial position with respect to the assets.
- Representing two clients in the same matter who are in a legal dispute with each other, such as during divorce proceedings, or the dissolution of a partnership.
- In relation to a license agreement, providing an assurance report for a licensor on the royalties due while advising the licensee on the amounts payable.
- Advising a client to invest in a business in which, for example, the spouse of the chartered accountant has a financial interest.
- Providing strategic advice to a client on its competitive position while having a joint venture or similar interest with a major competitor of the client.
- Advising a client on acquiring a business which the firm is also interested in acquiring.
- Advising a client on buying a product or service while having a royalty or commission agreement with a potential seller of that product or service.

### **Conflict Identification**

#### *General*

**R310.5** Before accepting a new client relationship, engagement, or business relationship, a chartered accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles. Such steps shall include identifying:

- (a) The nature of the relevant interests and relationships between the parties involved; and
- (b) The service and its implication for relevant parties.

310.5 A1 An effective conflict identification process assists a chartered accountant when taking reasonable steps to identify interests and relationships that might create an actual or potential conflict of interest, both before determining whether to accept an engagement and throughout the

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engagement. Such a process includes considering matters identified by external parties, for example clients or potential clients. The earlier an actual or potential conflict of interest is identified, the greater the likelihood of the accountant being able to address threats created by the conflict of interest.

310.5 A2 An effective process to identify actual or potential conflicts of interest will take into account factors such as:

- The nature of the professional services provided.
- The size of the firm.
- The size and nature of the client base.
- The structure of the firm, for example, the number and geographic location of offices.

310.5 A3 More information on client acceptance is set out in Section 320, *Professional Appointments*.

### *Changes in Circumstances*

**R310.6** A chartered accountant shall remain alert to changes over time in the nature of services, interests and relationships that might create a conflict of interest while performing an engagement.

310.6 A1 The nature of services, interests and relationships might change during the engagement. This is particularly true when a chartered accountant is asked to conduct an engagement in a situation that might become adversarial, even though the parties who engage the accountant initially might not be involved in a dispute.

### *Network Firms*

**R310.7** If the firm is a member of a network, a chartered accountant shall consider conflicts of interest that the accountant has reason to believe might exist or arise due to interests and relationships of a network firm.

310.7 A1 Factors to consider when identifying interests and relationships involving a network firm include:

- The nature of the professional services provided.
- The clients served by the network.
- The geographic locations of all relevant parties.

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### **Threats Created by Conflicts of Interest**

- 310.8 A1 In general, the more direct the connection between the professional service and the matter on which the parties' interests conflict, the more likely the level of the threat is not at an acceptable level.
- 310.8 A2 Factors that are relevant in evaluating the level of a threat created by a conflict of interest include measures that prevent unauthorized disclosure of confidential information when performing professional services related to a particular matter for two or more clients whose interests with respect to that matter are in conflict. These measures include:
- The existence of separate practice areas for specialty functions within the firm, which might act as a barrier to the passing of confidential client information between practice areas.
  - Policies and procedures to limit access to client files.
  - Confidentiality agreements signed by personnel and partners of the firm.
  - Separation of confidential information physically and electronically.
  - Specific and dedicated training and communication.
- 310.8 A3 Examples of actions that might be safeguards to address threats created by a conflict of interest include:
- Having separate engagement teams who are provided with clear policies and procedures on maintaining confidentiality.
  - Having an appropriate reviewer, who is not involved in providing the service or otherwise affected by the conflict, review the work performed to assess whether the key judgments and conclusions are appropriate.

### **Disclosure and Consent**

#### *General*

- R310.9** A chartered accountant shall exercise professional judgment to determine whether the nature and significance of a conflict of interest are such that specific disclosure and explicit consent are necessary when addressing the threat created by the conflict of interest.
- 310.9 A1 Factors to consider when determining whether specific disclosure and explicit consent are necessary include:



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- The circumstances creating the conflict of interest.
- The parties that might be affected.
- The nature of the issues that might arise.
- The potential for the particular matter to develop in an unexpected manner.

310.9 A2 Disclosure and consent might take different forms, for example:

- General disclosure to clients of circumstances where, as is common commercial practice, the chartered accountant does not provide professional services exclusively to any one client (for example, in a particular professional service and market sector). This enables the client to provide general consent accordingly. For example, an accountant might make general disclosure in the standard terms and conditions for the engagement.
- Specific disclosure to affected clients of the circumstances of the particular conflict in sufficient detail to enable the client to make an informed decision about the matter and to provide explicit consent accordingly. Such disclosure might include a detailed presentation of the circumstances and a comprehensive explanation of any planned safeguards and the risks involved.
- Consent might be implied by clients' conduct in circumstances where the chartered accountant has sufficient evidence to conclude that clients know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict.

310.9 A3 It is generally necessary:

- (a) To disclose the nature of the conflict of interest and how any threats created were addressed to clients affected by a conflict of interest; and
- (b) To obtain consent of the affected clients to perform the professional services when safeguards are applied to address the threat.

310.9 A4 If such disclosure or consent is not in writing, the chartered accountant is encouraged to document:

- (a) The nature of the circumstances giving rise to the conflict of interest;
- (b) The safeguards applied to address the threats when applicable; and
- (c) The consent obtained.

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### *When Explicit Consent is Refused*

**R310.10** If a chartered accountant has determined that explicit consent is necessary in accordance with paragraph R310.9 and the client has refused to provide consent, the accountant shall either:

- (a) End or decline to perform professional services that would result in the conflict of interest; or
- (b) End relevant relationships or dispose of relevant interests to eliminate the threat or reduce it to an acceptable level.

### **Confidentiality**

#### *General*

**R310.11** A chartered accountant shall remain alert to the principle of confidentiality, including when making disclosures or sharing information within the firm or network and seeking guidance from third parties.

310.11 A1 Subsection 114 sets out requirements and application material relevant to situations that might create a threat to compliance with the principle of confidentiality.

#### *When Disclosure to Obtain Consent would Breach Confidentiality*

**R310.12** When making specific disclosure for the purpose of obtaining explicit consent would result in a breach of confidentiality, and such consent cannot therefore be obtained, the firm shall only accept or continue an engagement if:

- (a) The firm does not act in an advocacy role for one client in an adversarial position against another client in the same matter;
- (b) Specific measures are in place to prevent disclosure of confidential information between the engagement teams serving the two clients; and
- (c) The firm is satisfied that a reasonable and informed third party would be likely to conclude that it is appropriate for the firm to accept or continue the engagement because a restriction on the firm's ability to provide the professional service would produce a disproportionate adverse outcome for the clients or other relevant third parties.

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- 310.12 A1 A breach of confidentiality might arise, for example, when seeking consent to perform:
- A transaction-related service for a client in a hostile takeover of another client of the firm.
  - A forensic investigation for a client regarding a suspected fraud, where the firm has confidential information from its work for another client who might be involved in the fraud.

**Documentation**

- R310.13** In the circumstances set out in paragraph R310.12, the chartered accountant shall document:
- (a) The nature of the circumstances, including the role that the accountant is to undertake;
  - (b) The specific measures in place to prevent disclosure of information between the engagement teams serving the two clients; and
  - (c) Why it is appropriate to accept or continue the engagement.

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### SECTION 320

#### PROFESSIONAL APPOINTMENTS

##### Introduction

320.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

320.2 Acceptance of a new client relationship or changes in an existing engagement might create a threat to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

##### Client and Engagement Acceptance

###### *General*

320.3 A1 Threats to compliance with the principles of integrity or professional behavior might be created, for example, from questionable issues associated with the client (its owners, management or activities). Issues that, if known, might create such a threat include client involvement in illegal activities, dishonesty, questionable financial reporting practices or other unethical behavior.

320.3 A2 Factors that are relevant in evaluating the level of such a threat include:

- Knowledge and understanding of the client, its owners, management and those charged with governance and business activities.
- The client's commitment to address the questionable issues, for example, through improving corporate governance practices or internal controls.

320.3 A3 A self-interest threat to compliance with the principle of professional competence and due care is created if the engagement team does not possess, or cannot acquire, the competencies to perform the professional services.

320.3 A4 Factors that are relevant in evaluating the level of such a threat include:

- An appropriate understanding of:
  - The nature of the client's business;

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- The complexity of its operations;
- The requirements of the engagement; and
- The purpose, nature and scope of the work to be performed.
- Knowledge of relevant industries or subject matter.
- Experience with relevant regulatory or reporting requirements.
- The existence of quality control policies and procedures designed to provide reasonable assurance that engagements are accepted only when they can be performed competently.

320.3 A5 Examples of actions that might be safeguards to address a self-interest threat include:

- Assigning sufficient engagement personnel with the necessary competencies.
- Agreeing on a realistic time frame for the performance of the engagement.
- Using experts where necessary.

### **Changes in a Professional Appointment**

#### *General*

**R320.4** A chartered accountant shall determine whether there are any reasons for not accepting an engagement when the accountant:

- (a) Is asked by a potential client to replace another accountant;
- (b) Considers tendering for an engagement held by another accountant;  
or
- (c) Considers undertaking work that is complementary or additional to that of another accountant.

320.4 A1 There might be reasons for not accepting an engagement. One such reason might be if a threat created by the facts and circumstances cannot be addressed by applying safeguards. For example, there might be a self-interest threat to compliance with the principle of professional competence and due care if a chartered accountant accepts the engagement before knowing all the relevant facts.

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- 320.4 A2 If a chartered accountant is asked to undertake work that is complementary or additional to the work of an existing or predecessor accountant, a self-interest threat to compliance with the principle of professional competence and due care might be created, for example, as a result of incomplete information.
- 320.4 A3 A factor that is relevant in evaluating the level of such a threat is whether tenders state that, before accepting the engagement, contact with the existing or predecessor accountant will be requested. This contact gives the proposed accountant the opportunity to inquire whether there are any reasons why the engagement should not be accepted.
- 320.4 A4 Examples of actions that might be safeguards to address such a self-interest threat include:
- Asking the existing or predecessor accountant to provide any known information of which, in the existing or predecessor accountant's opinion, the proposed accountant needs to be aware before deciding whether to accept the engagement. For example, inquiry might reveal previously undisclosed pertinent facts and might indicate disagreements with the existing or predecessor accountant that might influence the decision to accept the appointment.
  - Obtaining information from other sources such as through inquiries of third parties or background investigations regarding senior management or those charged with governance of the client.

### *Communicating with the Existing or Predecessor Accountant*

- 320.5 A1 A proposed accountant will usually need the client's permission, preferably in writing, to initiate discussions with the existing or predecessor accountant.
- R320.6** If unable to communicate with the existing or predecessor accountant, the proposed accountant shall take other reasonable steps to obtain information about any possible threats.

### *Communicating with the Proposed Accountant*

- R320.7** When an existing or predecessor accountant is asked to respond to a communication from a proposed accountant, the existing or predecessor accountant shall:
- (a) Comply with relevant laws and regulations governing the request; and
  - (b) Provide any information honestly and unambiguously.

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- 320.7 A1 An existing or predecessor accountant is bound by confidentiality. Whether the existing or predecessor accountant is permitted or required to discuss the affairs of a client with a proposed accountant will depend on the nature of the engagement and:
- (a) Whether the existing or predecessor accountant has permission from the client for the discussion; and
  - (b) The legal and ethics requirements relating to such communications and disclosure, which might vary by jurisdiction.
- 320.7 A2 Circumstances where a chartered accountant is or might be required to disclose confidential information, or when disclosure might be appropriate, are set out in paragraph 114.1 A1 of the Code.

### *Changes in Audit or Review Appointments*

- R320.8** In the case of an audit or review of financial statements, a chartered accountant shall request the existing or predecessor accountant to provide known information regarding any facts or other information of which, in the existing or predecessor accountant's opinion, the proposed accountant needs to be aware before deciding whether to accept the engagement. Except for the circumstances involving non-compliance or suspected non-compliance with laws and regulations set out in paragraphs R360.21 and R360.22:
- (a) If the client consents to the existing or predecessor accountant disclosing any such facts or other information, the existing or predecessor accountant shall provide the information honestly and unambiguously; and
  - (b) If the client fails or refuses to grant the existing or predecessor accountant permission to discuss the client's affairs with the proposed accountant, the existing or predecessor accountant shall disclose this fact to the proposed accountant, who shall carefully consider such failure or refusal when determining whether to accept the appointment.

### **Client and Engagement Continuance**

- R320.9** For a recurring client engagement, a chartered accountant shall periodically review whether to continue with the engagement.
- 320.9 A1 Potential threats to compliance with the fundamental principles might be created after acceptance which, had they been known earlier, would have caused the chartered accountant to decline the engagement. For example, a self-interest threat to compliance with the principle of integrity might be created by improper earnings management or balance sheet valuations.

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**Using the Work of an Expert**

**R320.10** When a chartered accountant intends to use the work of an expert, the accountant shall determine whether the use is warranted.

320.10 A1 Factors to consider when a chartered accountant intends to use the work of an expert include the reputation and expertise of the expert, the resources available to the expert, and the professional and ethics standards applicable to the expert. This information might be gained from prior association with the expert or from consulting others.



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### SECTION 321

#### SECOND OPINIONS

##### Introduction

- 321.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 321.2 Providing a second opinion to an entity that is not an existing client might create a self-interest or other threat to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

- 321.3 A1 A chartered accountant might be asked to provide a second opinion on the application of accounting, auditing, reporting or other standards or principles to (a) specific circumstances, or (b) transactions by or on behalf of a company or an entity that is not an existing client. A threat, for example, a self-interest threat to compliance with the principle of professional competence and due care, might be created if the second opinion is not based on the same facts that the existing or predecessor accountant had, or is based on inadequate evidence.
- 321.3 A2 A factor that is relevant in evaluating the level of such a self-interest threat is the circumstances of the request and all the other available facts and assumptions relevant to the expression of a professional judgment.
- 321.3 A3 Examples of actions that might be safeguards to address such a self-interest threat include:
- With the client's permission, obtaining information from the existing or predecessor accountant.
  - Describing the limitations surrounding any opinion in communications with the client.
  - Providing the existing or predecessor accountant with a copy of the opinion.

###### *When Permission to Communicate is Not Provided*

- R321.4** If an entity seeking a second opinion from a chartered accountant will not permit the accountant to communicate with the existing or predecessor accountant, the accountant shall determine whether the accountant may provide the second opinion sought.

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### SECTION 330

#### FEES AND OTHER TYPES OF REMUNERATION

##### Introduction

330.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

330.2 The level and nature of fee and other remuneration arrangements might create a self-interest threat to compliance with one or more of the fundamental principles. This section sets out specific application material relevant to applying the conceptual framework in such circumstances.

##### Application Material

##### Level of Fees

330.3 A1 The level of fees quoted might impact a chartered accountant's ability to perform professional services in accordance with professional standards.

**R330.4** When entering into negotiations regarding professional services, a chartered accountant in practice may quote whatever fee is deemed to be appropriate commensurate with the nature and service to be rendered. However, in such cases, chartered accountants in practice should be careful not to quote fee lower than that charged by the chartered accountants in practice previously carrying out the audit unless scope and quantum of work materially differs from the scope and quantum of work carried out by the previous auditor, as it could then be regarded as undercutting.

330.4 A1 Factors that are relevant in evaluating the level of such a threat include:

- Whether the client is aware of the terms of the engagement and, in particular, the basis on which fees are charged and which professional services the quoted fee covers.
- Whether the level of the fee is set by an independent third party such as a regulatory body.

330.4 A2 Examples of actions that might be safeguards to address such a self-interest threat include:

- Adjusting the level of fees or the scope of the engagement.
- Having an appropriate reviewer review the work performed.

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**Referral Fees or Commissions**

330.5 A1 A self-interest threat to compliance with the principles of objectivity and professional competence and due care is created if a chartered accountant pays or receives a referral fee or receives a commission relating to a client. Such referral fees or commissions include, for example:

- A fee paid to another chartered accountant for the purposes of obtaining new client work when the client continues as a client of the existing accountant but requires specialist services not offered by that accountant.
- A fee received for referring a continuing client to another chartered accountant or other expert where the existing accountant does not provide the specific professional service required by the client.
- A commission received from a third party (for example, a software vendor) in connection with the sale of goods or services to a client.

330.5 A2 Examples of actions that might be safeguards to address such a self-interest threat include:

- Obtaining an advance agreement from the client for commission arrangements in connection with the sale by another party of goods or services to the client might address a self-interest threat.
- Disclosing to clients any referral fees or commission arrangements paid to, or received from, another chartered accountant or third party for recommending services or products might address a self-interest threat.

**Purchase or Sale of a Firm**

330.6 A1 A chartered accountant may purchase all or part of another firm on the basis that payments will be made to individuals formerly owning the firm or to their heirs or estates. Such payments are not referral fees or commissions for the purposes of this section.

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### SECTION 340

#### INDUCEMENTS, INCLUDING GIFTS AND HOSPITALITY

##### Introduction

- 340.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 340.2 Offering or accepting inducements might create a self-interest, familiarity or intimidation threat to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional behavior.
- 340.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to the offering and accepting of inducements when performing professional services that does not constitute non-compliance with laws and regulations. This section also requires a chartered accountant to comply with relevant laws and regulations when offering or accepting inducements.

##### Requirements and Application Material

###### General

- 340.4 A1 An inducement is an object, situation, or action that is used as a means to influence another individual's behavior, but not necessarily with the intent to improperly influence that individual's behavior. Inducements can range from minor acts of hospitality between chartered accountants and existing or prospective clients to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example:
- Gifts.
  - Hospitality.
  - Entertainment.
  - Political or charitable donations.
  - Appeals to friendship and loyalty.
  - Employment or other commercial opportunities.
  - Preferential treatment, rights or privileges.

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### **Inducements Prohibited by Laws and Regulations**

**R340.5** In many jurisdictions, there are laws and regulations, such as those related to bribery and corruption, that prohibit the offering or accepting of inducements in certain circumstances. The chartered accountant shall obtain an understanding of relevant laws and regulations and comply with them when the accountant encounters such circumstances.

### **Inducements Not Prohibited by Laws and Regulations**

340.6 A1 The offering or accepting of inducements that is not prohibited by laws and regulations might still create threats to compliance with the fundamental principles.

#### *Inducements with Intent to Improperly Influence Behavior*

**R340.7** A chartered accountant shall not offer, or encourage others to offer, any inducement that is made, or which the accountant considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behavior of the recipient or of another individual.

**R340.8** A chartered accountant shall not accept, or encourage others to accept, any inducement that the accountant concludes is made, or considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behavior of the recipient or of another individual.

340.9 A1 An inducement is considered as improperly influencing an individual's behavior if it causes the individual to act in an unethical manner. Such improper influence can be directed either towards the recipient or towards another individual who has some relationship with the recipient. The fundamental principles are an appropriate frame of reference for a chartered accountant in considering what constitutes unethical behavior on the part of the accountant and, if necessary by analogy, other individuals.

340.9 A2 A breach of the fundamental principle of integrity arises when a chartered accountant offers or accepts, or encourages others to offer or accept, an inducement where the intent is to improperly influence the behavior of the recipient or of another individual.

340.9 A3 The determination of whether there is actual or perceived intent to improperly influence behavior requires the exercise of professional judgment. Relevant factors to consider might include:

- The nature, frequency, value and cumulative effect of the inducement.

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- Timing of when the inducement is offered relative to any action or decision that it might influence.
- Whether the inducement is a customary or cultural practice in the circumstances, for example, offering a gift on the occasion of a religious holiday or wedding.
- Whether the inducement is an ancillary part of a professional service, for example, offering or accepting lunch in connection with a business meeting.
- Whether the offer of the inducement is limited to an individual recipient or available to a broader group. The broader group might be internal or external to the firm, such as other suppliers to the client.
- The roles and positions of the individuals at the firm or the client offering or being offered the inducement.
- Whether the chartered accountant knows, or has reason to believe, that accepting the inducement would breach the policies and procedures of the client.
- The degree of transparency with which the inducement is offered.
- Whether the inducement was required or requested by the recipient.
- The known previous behavior or reputation of the offeror.

### Consideration of Further Actions

340.10 A1 If the chartered accountant becomes aware of an inducement offered with actual or perceived intent to improperly influence behavior, threats to compliance with the fundamental principles might still be created even if the requirements in paragraphs R340.7 and R340.8 are met.

340.10 A2 Examples of actions that might be safeguards to address such threats include:

- Informing senior management of the firm or those charged with governance of the client regarding the offer.
- Amending or terminating the business relationship with the client.

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### *Inducements with No Intent to Improperly Influence Behavior*

- 340.11 A1 The requirements and application material set out in the conceptual framework apply when a chartered accountant has concluded there is no actual or perceived intent to improperly influence the behavior of the recipient or of another individual.
- 340.11 A2 If such an inducement is trivial and inconsequential, any threats created will be at an acceptable level.
- 340.11 A3 Examples of circumstances where offering or accepting such an inducement might create threats even if the chartered accountant has concluded there is no actual or perceived intent to improperly influence behavior include:
- Self-interest threats
    - A chartered accountant is offered hospitality from the prospective acquirer of a client while providing corporate finance services to the client.
  - Familiarity threats
    - A chartered accountant regularly takes an existing or prospective client to sporting events.
  - Intimidation threats
    - A chartered accountant accepts hospitality from a client, the nature of which could be perceived to be inappropriate were it to be publicly disclosed.
- 340.11 A4 Relevant factors in evaluating the level of such threats created by offering or accepting such an inducement include the same factors set out in paragraph 340.9 A3 for determining intent.
- 340.11 A5 Examples of actions that might eliminate threats created by offering or accepting such an inducement include:
- Declining or not offering the inducement.
  - Transferring responsibility for the provision of any professional services to the client to another individual who the chartered accountant has no reason to believe would be, or would be perceived to be, improperly influenced when providing the services.
- 340.11 A6 Examples of actions that might be safeguards to address such threats created by offering or accepting such an inducement include:

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- Being transparent with senior management of the firm or of the client about offering or accepting an inducement.
- Registering the inducement in a log monitored by senior management of the firm or another individual responsible for the firm's ethics compliance or maintained by the client.
- Having an appropriate reviewer, who is not otherwise involved in providing the professional service, review any work performed or decisions made by the chartered accountant with respect to the client from which the accountant accepted the inducement.
- Donating the inducement to charity after receipt and appropriately disclosing the donation, for example, to a member of senior management of the firm or the individual who offered the inducement.
- Reimbursing the cost of the inducement, such as hospitality, received.
- As soon as possible, returning the inducement, such as a gift, after it was initially accepted.

### **Immediate or Close Family Members**

**R340.12** A chartered accountant shall remain alert to potential threats to the accountant's compliance with the fundamental principles created by the offering of an inducement:

- (a) By an immediate or close family member of the accountant to an existing or prospective client of the accountant.
- (b) To an immediate or close family member of the accountant by an existing or prospective client of the accountant.

**R340.13** Where the chartered accountant becomes aware of an inducement being offered to or made by an immediate or close family member and concludes there is intent to improperly influence the behavior of the accountant or of an existing or prospective client of the accountant, or considers a reasonable and informed third party would be likely to conclude such intent exists, the accountant shall advise the immediate or close family member not to offer or accept the inducement.

340.13 A1 The factors set out in paragraph 340.9 A3 are relevant in determining whether there is actual or perceived intent to improperly influence the behavior of the chartered accountant or of the existing or prospective client.



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Another factor that is relevant is the nature or closeness of the relationship, between:

- (a) The accountant and the immediate or close family member;
- (b) The immediate or close family member and the existing or prospective client; and
- (c) The accountant and the existing or prospective client.

For example, the offer of employment, outside of the normal recruitment process, to the spouse of the accountant by a client for whom the accountant is providing a business valuation for a prospective sale might indicate such intent.

- 340.13 A2 The application material in paragraph 340.10 A2 is also relevant in addressing threats that might be created when there is actual or perceived intent to improperly influence the behavior of the chartered accountant, or of the existing or prospective client even if the immediate or close family member has followed the advice given pursuant to paragraph R340.13.

### *Application of the Conceptual Framework*

- 340.14 A1 Where the chartered accountant becomes aware of an inducement offered in the circumstances addressed in paragraph R340.12, threats to compliance with the fundamental principles might be created where:

- (a) The immediate or close family member offers or accepts the inducement contrary to the advice of the accountant pursuant to paragraph R340.13; or
- (b) The accountant does not have reason to believe an actual or perceived intent to improperly influence the behavior of the accountant or of the existing or prospective client exists.

- 340.14 A2 The application material in paragraphs 340.11 A1 to 340.11 A6 is relevant for the purposes of identifying, evaluating and addressing such threats. Factors that are relevant in evaluating the level of threats in these circumstances also include the nature or closeness of the relationships set out in paragraph 340.13 A1.

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**Other Considerations**

- 340.15 A1 If a chartered accountant encounters or is made aware of inducements that might result in non-compliance or suspected non-compliance with laws and regulations by a client or individuals working for or under the direction of the client, the requirements and application material in Section 360 apply.
- 340.15 A2 If a firm, network firm or an audit team member is being offered gifts or hospitality from an audit client, the requirement and application material set out in Section 420 apply.
- 340.15 A3 If a firm or an assurance team member is being offered gifts or hospitality from an assurance client, the requirement and application material set out in Section 906 apply.

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### SECTION 350

#### CUSTODY OF CLIENT ASSETS

##### Introduction

- 350.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 350.2 Holding client assets creates a self-interest or other threat to compliance with the principles of professional behavior and objectivity. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### Before Taking Custody

- R350.3** A chartered accountant shall not assume custody of client money or other assets unless permitted to do so by law and in accordance with any conditions under which such custody may be taken.
- R350.4** As part of client and engagement acceptance procedures related to assuming custody of client money or assets, a chartered accountant shall:
- (a) Make inquiries about the source of the assets; and
  - (b) Consider related legal and regulatory obligations.
- R350.4 A1** Inquiries about the source of client assets might reveal, for example, that the assets were derived from illegal activities, such as money laundering. In such circumstances, a threat would be created and the provisions of Section 360 would apply.

###### After Taking Custody

- R350.5** A chartered accountant entrusted with money or other assets belonging to others shall:
- (a) Comply with the laws and regulations relevant to holding and accounting for the assets;
  - (b) Keep the assets separately from personal or firm assets;
  - (c) Use the assets only for the purpose for which they are intended; and
  - (d) Be ready at all times to account for the assets and any income, dividends, or gains generated, to any individuals entitled to that accounting.

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### SECTION 360

#### RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

##### Introduction

- 360.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 360.2 A self-interest or intimidation threat to compliance with the principles of integrity and professional behavior is created when a chartered accountant becomes aware of non-compliance or suspected non-compliance with laws and regulations.
- 360.3 A chartered accountant might encounter or be made aware of non-compliance or suspected non-compliance in the course of providing a professional service to a client. This section guides the accountant in assessing the implications of the matter and the possible courses of action when responding to non-compliance or suspected non-compliance with:
- (a) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the client's financial statements; and
  - (b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the client's financial statements, but compliance with which might be fundamental to the operating aspects of the client's business, to its ability to continue its business, or to avoid material penalties.

##### Objectives of the Chartered Accountant in Relation to Non-compliance with Laws and Regulations

- 360.4 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. When responding to non-compliance or suspected non-compliance, the objectives of the chartered accountant are:
- (a) To comply with the principles of integrity and professional behavior;
  - (b) By alerting management or, where appropriate, those charged with governance of the client, to seek to:
    - (i) Enable them to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance;  
or

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- (ii) Deter the commission of the non-compliance where it has not yet occurred; and
- (c) To take such further action as appropriate in the public interest.

### **Requirements and Application Material**

#### **General**

- 360.5 A1 Non-compliance with laws and regulations (“non-compliance”) comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:
- (a) A client;
  - (b) Those charged with governance of a client;
  - (c) Management of a client; or
  - (d) Other individuals working for or under the direction of a client.
- 360.5 A2 Examples of laws and regulations which this section addresses include those that deal with:
- Fraud, corruption and bribery.
  - Money laundering, terrorist financing and proceeds of crime.
  - Securities markets and trading.
  - Banking and other financial products and services.
  - Data protection.
  - Tax and pension liabilities and payments.
  - Environmental protection.
  - Public health and safety.
- 360.5 A3 Non-compliance might result in fines, litigation or other consequences for the client, potentially materially affecting its financial statements. Importantly, such non-compliance might have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public. For the purposes of this section, an act that causes substantial harm is one that results in serious adverse consequences

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to any of these parties in financial or non-financial terms. Examples include the perpetration of a fraud resulting in significant financial losses to investors, and breaches of environmental laws and regulations endangering the health or safety of employees or the public.

**R360.6** In some jurisdictions, there are legal or regulatory provisions governing how chartered accountants should address non-compliance or suspected non-compliance. These legal or regulatory provisions might differ from or go beyond the provisions in this section. When encountering such non-compliance or suspected non-compliance, the accountant shall obtain an understanding of those legal or regulatory provisions and comply with them, including:

- (a) Any requirement to report the matter to an appropriate authority; and
- (b) Any prohibition on alerting the client.

360.6 A1 A prohibition on alerting the client might arise, for example, pursuant to anti-money laundering legislation.

360.7 A1 This section applies regardless of the nature of the client, including whether or not it is a public interest entity.

360.7 A2 A chartered accountant who encounters or is made aware of matters that are clearly inconsequential is not required to comply with this section. Whether a matter is clearly inconsequential is to be judged with respect to its nature and its impact, financial or otherwise, on the client, its stakeholders and the general public.

360.7 A3 This section does not address:

- (a) Personal misconduct unrelated to the business activities of the client; and
- (b) Non-compliance by parties other than those specified in paragraph 360.5 A1. This includes, for example, circumstances where a chartered accountant has been engaged by a client to perform a due diligence assignment on a third party entity and the identified or suspected non-compliance has been committed by that third-party.

The accountant might nevertheless find the guidance in this section helpful in considering how to respond in these situations.

### **Responsibilities of Management and Those Charged with Governance**

360.8 A1 Management, with the oversight of those charged with governance, is responsible for ensuring that the client's business activities are conducted in accordance with laws and regulations. Management and those charged with

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governance are also responsible for identifying and addressing any non-compliance by:

- (a) The client;
- (b) An individual charged with governance of the entity;
- (c) A member of management; or
- (d) Other individuals working for or under the direction of the client.

### **Responsibilities of All Chartered Accountants**

**R360.9** Where a chartered accountant becomes aware of a matter to which this section applies, the steps that the accountant takes to comply with this section shall be taken on a timely basis. In taking timely steps, the accountant shall have regard to the nature of the matter and the potential harm to the interests of the entity, investors, creditors, employees or the general public.

### **Audits of Financial Statements**

#### *Obtaining an Understanding of the Matter*

**R360.10** If a chartered accountant engaged to perform an audit of financial statements becomes aware of information concerning non-compliance or suspected non-compliance, the accountant shall obtain an understanding of the matter. This understanding shall include the nature of the non-compliance or suspected non-compliance and the circumstances in which it has occurred or might occur.

360.10 A1 The chartered accountant might become aware of the non-compliance or suspected non-compliance in the course of performing the engagement or through information provided by other parties.

360.10 A2 The chartered accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of knowledge of laws and regulations greater than that which is required to undertake the engagement. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

360.10 A3 Depending on the nature and significance of the matter, the chartered accountant might consult on a confidential basis with others within the firm, a network firm or a professional body, or with legal counsel.

**R360.11** If the chartered accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall discuss the matter with the

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appropriate level of management and, where appropriate, those charged with governance.

360.11 A1 The purpose of the discussion is to clarify the chartered accountant's understanding of the facts and circumstances relevant to the matter and its potential consequences. The discussion also might prompt management or those charged with governance to investigate the matter.

360.11 A2 The appropriate level of management with whom to discuss the matter is a question of professional judgment. Relevant factors to consider include:

- The nature and circumstances of the matter.
- The individuals actually or potentially involved.
- The likelihood of collusion.
- The potential consequences of the matter.
- Whether that level of management is able to investigate the matter and take appropriate action.

360.11 A3 The appropriate level of management is usually at least one level above the individual or individuals involved or potentially involved in the matter. In the context of a group, the appropriate level might be management at an entity that controls the client.

360.11 A4 The chartered accountant might also consider discussing the matter with internal auditors, where applicable.

**R360.12** If the chartered accountant believes that management is involved in the non-compliance or suspected non-compliance, the accountant shall discuss the matter with those charged with governance.

### *Addressing the Matter*

**R360.13** In discussing the non-compliance or suspected non-compliance with management and, where appropriate, those charged with governance, the chartered accountant shall advise them to take appropriate and timely actions, if they have not already done so, to:

- (a) Rectify, remediate or mitigate the consequences of the non-compliance;
- (b) Deter the commission of the non-compliance where it has not yet occurred; or



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- (c) Disclose the matter to an appropriate authority where required by law or regulation or where considered necessary in the public interest.

**R360.14** The chartered accountant shall consider whether management and those charged with governance understand their legal or regulatory responsibilities with respect to the non-compliance or suspected non-compliance.

360.14 A1 If management and those charged with governance do not understand their legal or regulatory responsibilities with respect to the matter, the chartered accountant might suggest appropriate sources of information or recommend that they obtain legal advice.

**R360.15** The chartered accountant shall comply with applicable:

- (a) Laws and regulations, including legal or regulatory provisions governing the reporting of non-compliance or suspected non-compliance to an appropriate authority; and
- (b) Requirements under auditing standards, including those relating to:
- Identifying and responding to non-compliance, including fraud.
  - Communicating with those charged with governance.
  - Considering the implications of the non-compliance or suspected non-compliance for the auditor's report.

360.15 A1 Some laws and regulations might stipulate a period within which reports of non-compliance or suspected non-compliance are to be made to an appropriate authority.

Communication with Respect to Groups

**R360.16** Where a chartered accountant becomes aware of non-compliance or suspected non-compliance in relation to a component of a group in either of the following two situations, the accountant shall communicate the matter to the group engagement partner unless prohibited from doing so by law or regulation:

- (a) The accountant is, for purposes of an audit of the group financial statements, requested by the group engagement team to perform work on financial information related to the component; or

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- (b) The accountant is engaged to perform an audit of the component's financial statements for purposes other than the group audit, for example, a statutory audit.

The communication to the group engagement partner shall be in addition to responding to the matter in accordance with the provisions of this section.

360.16 A1 The purpose of the communication is to enable the group engagement partner to be informed about the matter and to determine, in the context of the group audit, whether and, if so, how to address it in accordance with the provisions in this section. The communication requirement in paragraph R360.16 applies regardless of whether the group engagement partner's firm or network is the same as or different from the chartered accountant's firm or network.

**R360.17** Where the group engagement partner becomes aware of non-compliance or suspected non-compliance in the course of an audit of group financial statements, the group engagement partner shall consider whether the matter might be relevant to one or more components:

- (a) Whose financial information is subject to work for purposes of the audit of the group financial statements; or
- (b) Whose financial statements are subject to audit for purposes other than the group audit, for example, a statutory audit.

This consideration shall be in addition to responding to the matter in the context of the group audit in accordance with the provisions of this section.

**R360.18** If the non-compliance or suspected non-compliance might be relevant to one or more of the components specified in paragraph R360.17(a) and (b), the group engagement partner shall take steps to have the matter communicated to those performing work at the components, unless prohibited from doing so by law or regulation. If necessary, the group engagement partner shall arrange for appropriate inquiries to be made (either of management or from publicly available information) as to whether the relevant component(s) specified in paragraph R360.17(b) is subject to audit and, if so, to ascertain to the extent practicable the identity of the auditor.

360.18 A1 The purpose of the communication is to enable those responsible for work at the components to be informed about the matter and to determine whether and, if so, how to address it in accordance with the provisions in this section. The communication requirement applies regardless of whether the group engagement partner's firm or network is the same as or different from the firms or networks of those performing work at the components.

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### *Determining Whether Further Action Is Needed*

**R360.19** The chartered accountant shall assess the appropriateness of the response of management and, where applicable, those charged with governance.

360.19 A1 Relevant factors to consider in assessing the appropriateness of the response of management and, where applicable, those charged with governance include whether:

- The response is timely.
- The non-compliance or suspected non-compliance has been adequately investigated.
- Action has been, or is being, taken to rectify, remediate or mitigate the consequences of any non-compliance.
- Action has been, or is being, taken to deter the commission of any non-compliance where it has not yet occurred.
- Appropriate steps have been, or are being, taken to reduce the risk of re-occurrence, for example, additional controls or training.
- The non-compliance or suspected non-compliance has been disclosed to an appropriate authority where appropriate and, if so, whether the disclosure appears adequate.

**R360.20** In light of the response of management and, where applicable, those charged with governance, the chartered accountant shall determine if further action is needed in the public interest.

360.20 A1 The determination of whether further action is needed, and the nature and extent of it, will depend on various factors, including:

- The legal and regulatory framework.
- The urgency of the situation.
- The pervasiveness of the matter throughout the client.
- Whether the chartered accountant continues to have confidence in the integrity of management and, where applicable, those charged with governance.
- Whether the non-compliance or suspected non-compliance is likely to recur.

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- Whether there is credible evidence of actual or potential substantial harm to the interests of the entity, investors, creditors, employees or the general public.

360.20 A2 Examples of circumstances that might cause the chartered accountant no longer to have confidence in the integrity of management and, where applicable, those charged with governance include situations where:

- The accountant suspects or has evidence of their involvement or intended involvement in any non-compliance.
- The accountant is aware that they have knowledge of such non-compliance and, contrary to legal or regulatory requirements, have not reported, or authorized the reporting of, the matter to an appropriate authority within a reasonable period.

**R360.21** The chartered accountant shall exercise professional judgment in determining the need for, and nature and extent of, further action. In making this determination, the accountant shall take into account whether a reasonable and informed third party would be likely to conclude that the accountant has acted appropriately in the public interest.

360.21 A1 Further action that the chartered accountant might take includes:

- Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so.
- Withdrawing from the engagement and the professional relationship where permitted by law or regulation.

360.21 A2 Withdrawing from the engagement and the professional relationship is not a substitute for taking other actions that might be needed to achieve the chartered accountant's objectives under this section. In some jurisdictions, however, there might be limitations as to the further actions available to the accountant. In such circumstances, withdrawal might be the only available course of action.

**R360.22** Where the chartered accountant has withdrawn from the professional relationship pursuant to paragraphs R360.20 and 360.21 A1, the accountant shall, on request by the proposed accountant pursuant to paragraph R320.8, provide all relevant facts and other information concerning the identified or suspected non-compliance to the proposed accountant. The predecessor accountant shall do so, even in the circumstances addressed in paragraph R320.8(b) where the client fails or refuses to grant the predecessor accountant permission to discuss the client's affairs with the proposed accountant, unless prohibited by law or regulation.

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360.22 A1 The facts and other information to be provided are those that, in the predecessor accountant's opinion, the proposed accountant needs to be aware of before deciding whether to accept the audit appointment. Section 320 addresses communications from proposed accountants.

**R360.23** If the proposed accountant is unable to communicate with the predecessor accountant, the proposed accountant shall take reasonable steps to obtain information about the circumstances of the change of appointment by other means.

360.23 A1 Other means to obtain information about the circumstances of the change of appointment include inquiries of third parties or background investigations of management or those charged with governance.

360.24 A1 As assessment of the matter might involve complex analysis and judgments, the chartered accountant might consider:

- Consulting internally.
- Obtaining legal advice to understand the accountant's options and the professional or legal implications of taking any particular course of action.
- Consulting on a confidential basis with a regulatory or professional body.

### *Determining Whether to Disclose the Matter to an Appropriate Authority*

360.25 A1 Disclosure of the matter to an appropriate authority would be precluded if doing so would be contrary to law or regulation. Otherwise, the purpose of making disclosure is to enable an appropriate authority to cause the matter to be investigated and action to be taken in the public interest.

360.25 A2 The determination of whether to make such a disclosure depends in particular on the nature and extent of the actual or potential harm that is or might be caused by the matter to investors, creditors, employees or the general public. For example, the chartered accountant might determine that disclosure of the matter to an appropriate authority is an appropriate course of action if:

- The entity is engaged in bribery (for example, of local or foreign government officials for purposes of securing large contracts).
- The entity is regulated and the matter is of such significance as to threaten its license to operate.

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- The entity is listed on a securities exchange and the matter might result in adverse consequences to the fair and orderly market in the entity's securities or pose a systemic risk to the financial markets.
- It is likely that the entity would sell products that are harmful to public health or safety.
- The entity is promoting a scheme to its clients to assist them in evading taxes.

360.25 A3 The determination of whether to make such a disclosure will also depend on external factors such as:

- Whether there is an appropriate authority that is able to receive the information, and cause the matter to be investigated and action to be taken. The appropriate authority will depend on the nature of the matter. For example, the appropriate authority would be a securities regulator in the case of fraudulent financial reporting or an environmental protection agency in the case of a breach of environmental laws and regulations.
- Whether there exists robust and credible protection from civil, criminal or professional liability or retaliation afforded by legislation or regulation, such as under whistle-blowing legislation or regulation.
- Whether there are actual or potential threats to the physical safety of the chartered accountant or other individuals.

**R360.26** If the chartered accountant determines that disclosure of the non-compliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.1(d) of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions. The accountant shall also consider whether it is appropriate to inform the client of the accountant's intentions before disclosing the matter.

### *Imminent Breach*

**R360.27** In exceptional circumstances, the chartered accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or those charged with governance of the entity, the accountant shall exercise professional judgment and determine whether to

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disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.1(d) of the Code.

### *Documentation*

**R360.28** In relation to non-compliance or suspected non-compliance that falls within the scope of this section, the chartered accountant shall document:

- How management and, where applicable, those charged with governance have responded to the matter.
- The courses of action the accountant considered, the judgments made and the decisions that were taken, having regard to the reasonable and informed third party test.
- How the accountant is satisfied that the accountant has fulfilled the responsibility set out in paragraph R360.20.

360.28 A1 This documentation is in addition to complying with the documentation requirements under applicable auditing standards. ISAs, for example, require a chartered accountant performing an audit of financial statements to:

- Prepare documentation sufficient to enable an understanding of significant matters arising during the audit, the conclusions reached, and significant professional judgments made in reaching those conclusions;
- Document discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place; and
- Document identified or suspected non-compliance, and the results of discussion with management and, where applicable, those charged with governance and other parties outside the entity.

### **Professional Services Other than Audits of Financial Statements**

#### *Obtaining an Understanding of the Matter and Addressing it with Management and Those Charged with Governance*

**R360.29** If a chartered accountant engaged to provide a professional service other than an audit of financial statements becomes aware of information concerning non-compliance or suspected non-compliance, the accountant

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shall seek to obtain an understanding of the matter. This understanding shall include the nature of the non-compliance or suspected non-compliance and the circumstances in which it has occurred or might be about to occur.

360.29 A1 The chartered accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of understanding of laws and regulations beyond that which is required for the professional service for which the accountant was engaged. Whether an act constitutes actual non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

360.29 A2 Depending on the nature and significance of the matter, the chartered accountant might consult on a confidential basis with others within the firm, a network firm or a professional body, or with legal counsel.

**R360.30** If the chartered accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall discuss the matter with the appropriate level of management. If the accountant has access to those charged with governance, the accountant shall also discuss the matter with them where appropriate.

360.30 A1 The purpose of the discussion is to clarify the chartered accountant's understanding of the facts and circumstances relevant to the matter and its potential consequences. The discussion also might prompt management or those charged with governance to investigate the matter.

360.30 A2 The appropriate level of management with whom to discuss the matter is a question of professional judgment. Relevant factors to consider include:

- The nature and circumstances of the matter.
- The individuals actually or potentially involved.
- The likelihood of collusion.
- The potential consequences of the matter.
- Whether that level of management is able to investigate the matter and take appropriate action.

### *Communicating the Matter to the Entity's External Auditor*

**R360.31** If the chartered accountant is performing a non-audit service for:

- (a) An audit client of the firm; or
- (b) A component of an audit client of the firm,



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the accountant shall communicate the non-compliance or suspected non-compliance within the firm, unless prohibited from doing so by law or regulation. The communication shall be made in accordance with the firm's protocols or procedures. In the absence of such protocols and procedures, it shall be made directly to the audit engagement partner.

**R360.32** If the chartered accountant is performing a non-audit service for:

- (a) An audit client of a network firm; or
- (b) A component of an audit client of a network firm,

the accountant shall consider whether to communicate the non-compliance or suspected non-compliance to the network firm. Where the communication is made, it shall be made in accordance with the network's protocols or procedures. In the absence of such protocols and procedures, it shall be made directly to the audit engagement partner.

**R360.33** If the chartered accountant is performing a non-audit service for a client that is not:

- (a) An audit client of the firm or a network firm; or
- (b) A component of an audit client of the firm or a network firm,

the accountant shall consider whether to communicate the non-compliance or suspected non-compliance to the firm that is the client's external auditor, if any.

### Relevant Factors to Consider

360.34 A1 Factors relevant to considering the communication in accordance with paragraphs R360.31 to R360.33 include:

- Whether doing so would be contrary to law or regulation.
- Whether there are restrictions about disclosure imposed by a regulatory agency or prosecutor in an ongoing investigation into the non-compliance or suspected non-compliance.
- Whether the purpose of the engagement is to investigate potential non-compliance within the entity to enable it to take appropriate action.
- Whether management or those charged with governance have already informed the entity's external auditor about the matter.

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- The likely materiality of the matter to the audit of the client's financial statements or, where the matter relates to a component of a group, its likely materiality to the audit of the group financial statements.

### Purpose of Communication

360.35 A1 In the circumstances addressed in paragraphs R360.31 to R360.33, the purpose of the communication is to enable the audit engagement partner to be informed about the non-compliance or suspected non-compliance and to determine whether and, if so, how to address it in accordance with the provisions of this section.

### *Considering Whether Further Action Is Needed*

**R360.36** The chartered accountant shall also consider whether further action is needed in the public interest.

360.36 A1 Whether further action is needed, and the nature and extent of it, will depend on factors such as:

- The legal and regulatory framework.
- The appropriateness and timeliness of the response of management and, where applicable, those charged with governance.
- The urgency of the situation.
- The involvement of management or those charged with governance in the matter.
- The likelihood of substantial harm to the interests of the client, investors, creditors, employees or the general public.

360.36 A2 Further action by the chartered accountant might include:

- Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so.
- Withdrawing from the engagement and the professional relationship where permitted by law or regulation.

360.36 A3 In considering whether to disclose to an appropriate authority, relevant factors to take into account include:

- Whether doing so would be contrary to law or regulation.

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- Whether there are restrictions about disclosure imposed by a regulatory agency or prosecutor in an ongoing investigation into the non-compliance or suspected non-compliance.
- Whether the purpose of the engagement is to investigate potential non-compliance within the entity to enable it to take appropriate action.

**R360.37** If the chartered accountant determines that disclosure of the non-compliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.1(d) of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions. The accountant shall also consider whether it is appropriate to inform the client of the accountant's intentions before disclosing the matter.

### *Imminent Breach*

**R360.38** In exceptional circumstances, the chartered accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or those charged with governance of the entity, the accountant shall exercise professional judgment and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.1(d) of the Code.

### *Seeking Advice*

360.39 A1 The chartered accountant might consider:

- Consulting internally.
- Obtaining legal advice to understand the professional or legal implications of taking any particular course of action.
- Consulting on a confidential basis with a regulatory or professional body.

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*Documentation*

360.40 A1 In relation to non-compliance or suspected non-compliance that falls within the scope of this section, the chartered accountant is encouraged to document:

- The matter.
- The results of discussion with management and, where applicable, those charged with governance and other parties.
- How management and, where applicable, those charged with governance have responded to the matter.
- The courses of action the accountant considered, the judgments made and the decisions that were taken.
- How the accountant is satisfied that the accountant has fulfilled the responsibility set out in paragraph R360.36.

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**SECTION 370**

**PUBLIC NOTICES, ANNOUNCEMENTS AND COMMUNICATIONS UNDUE PUBLICITY BE AVOIDED**

**R370.1** In any communications, announcements and public notices, chartered accountants should not:

- (a) use means, which bring the profession into disrepute;
- (b) make exaggerated claims for the services they are able to offer, the qualifications they possess, or experience they have gained; and
- (c) denigrate the work of other accountants.

A chartered accountant preparing or authorizing the issue of matter falling within this Section should do so with a due sense of responsibility to the profession and to the public as a whole. In particular, such material should be in good taste both as to content and presentation and should not belittle services offered by others, whether members or not, either by claiming superiority for the services of a particular member or otherwise. The same attitude should be adopted towards activities mentioned in subsequent paragraphs.

**Advertising for solicitation be avoided**

**R370.2** All communications, announcements and public notices be issued in such manner and within the limits prescribed in the following paragraphs so that the provisions of clauses (5) and (6) of Part 1 and clauses (1) and (2) of Part 2 of Schedule-I of the Chartered Accountants Ordinance, 1961, are not violated:

- (a) All announcements, communications and public notices should:
  - (i) be aimed at informing the recipients or the public in an objective manner;
  - (ii) conform to the basic principles of legality, decency, clarity, honesty and truthfulness; and
  - (iii) not project an image, which is inconsistent with that of a professional person bound to high ethical and technical standards.

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- (b) Activities which may expressly be considered not to meet the above criteria and are therefore prohibited include those that:
- (i) create false, deceptive or unjustified expectations of favorable results;
  - (ii) imply the ability to influence any court, tribunal, regulatory agency or similar body or official;
  - (iii) consist of self-laudatory statements that are not based on verifiable facts;
  - (iv) make comparisons with other chartered accountants in practice;
  - (v) contain testimonials or endorsements;
  - (vi) contain any other representations that would be likely to cause a reasonable person to misunderstand or be deceived; and
  - (vii) make unjustified claims to be an expert or specialist in a particular field of accountancy.
- (c) The examples which follow are illustrative of circumstances in which communications, announcements, public notices, etc., are acceptable and the matters to be considered in connection therewith subject always to the overriding requirements mentioned in the preceding paragraphs:
- (i) **Appointments and Awards**

It is in the interests of the public and the profession that any appointment or other activity of a chartered accountant in a matter of national or local importance, or the award of any distinction to a member, should receive publicity and that membership of the Institute should be mentioned. However, the chartered accountant should not make use of any of the aforementioned appointments or activities for personal professional advantage.
  - (ii) **Chartered Accountants seeking employment or Professional Business**

A chartered accountant may inform interested parties through any medium that a partnership or salaried employment of an accountancy nature is being sought. The chartered accountants should not, however, publicize for subcontract work in a manner, which could be interpreted as seeking to procure

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professional business. Public announcements or public notices seeking subcontract work may be acceptable if placed only in the professional press and provided that neither the chartered accountant's name, address or telephone number appears in the public announcements or public notices. A chartered accountant may write a letter or make a direct approach to another chartered accountant when seeking employment or professional business.

### (iii) Directories & Internet

A chartered accountant and his firm may be listed in the directories both alphabetically and in lead type and in classified list under "Chartered Accountants" in the directories. He can however, use the classification "Accountants and Auditors" when the directories do not have specific classification for "Chartered Accountants". Entries should be limited to name, address, telephone numbers, internet address, e-mail address, professional description and any other information necessary to enable the users of the directories to make contact with the chartered accountant and his firm may also develop and maintain a website on the internet provided the contents comply with the requirements of paragraphs 370.1, (a) and (b) of 370.2 and (ix) of 370.2(c).

### (iv) Books, Articles, Interviews, Lectures, and Electronic Media

A member who is author of a book or articles on a professional subject, may state his name and professional qualifications and give the name of his firm but shall not give any information as to the services that the firm provides.

Similar provisions are applicable to participation by a chartered accountant in practice in a lecture, interview or a radio or television program on a professional subject. What practicing member write or say, however, should not be promotional of themselves or their firm but should be an objective professional view of the topic under consideration. Practicing members are responsible for using their best endeavors to ensure that what ultimately goes before the public complies with these requirements.

When interviewed by a writer or reporter, the chartered accountant should observe the limitations imposed on him by this Section. The chartered accountant may not provide the press with any information for publication that he could not publish himself.

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### (v) Training Courses, Seminars, etc.

A chartered accountant may invite clients, their staff and the general public to attend training courses or seminars conducted for imparting professional education. However, undue prominence should not be given to the name of a chartered accountant in any booklets or documents issued in connection therewith.

### (vi) Professional Literature and Publications

Any professional literature bearing the name of a chartered accountant or his firm giving technical information for the assistance of staff and clients may be issued to any other firm or persons.

A publication developed/ authored by a firm may be published in the firm's name but it shall not give any information as to the services that the firm provides.

Such professional literature and publications can also be placed on the website of the firm.

### (vii) Staff Recruitment

Genuine vacancies for staff may be communicated to the public through any medium in which comparable staff vacancies normally appear. The fact that a job specification necessarily gives some detail as to one or more of the services provided by the chartered accountant or his firm is acceptable but it should not contain any promotional element. There should not be any suggestion that the services offered are superior to those offered by other chartered accountants as a consequence of size, associations, or for any other reason.

In publications such as those specifically directed to schools and other places of education to inform students and graduates of career opportunities in the profession, services offered to the public may be described in a businesslike way.

More latitude may also be permissible in a section of a newspaper devoted to staff vacancies than would be allowed if the vacancy appears in a prominent position elsewhere in a newspaper on the grounds that it would be most unlikely that a potential client would use such media to select his professional adviser.



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### (viii) Recruitment on behalf of clients

A member may advertise on behalf of clients. However, he should ensure that the emphasis in the advertisement is directed towards the objectives to be achieved for the client. The designation of any services provided by the practice as being of specialist nature is not permitted.

### (ix) Brochures and Firm Directories

A chartered accountant in practice may issue:

- (a) A factual and objectively worded account of the services provided, the firm's resources (human and other, specifying qualifications and experience of personnel where appropriate), existing clients (unless this breaches client confidentiality) and of professional assignments undertaken; and
- (b) A directory setting out names of partners, office addresses and names and addresses of associated firms and correspondents.

### (x) Stationery and Nameplates

Stationery of chartered accountants in practice should be of an acceptable professional standard and comply with the requirements of the directives issued by the Council of the Institute from time to time as to names of partners, principals and others who participate in the practice, use of professional descriptions and designatory letters, cities or countries where the practice is represented, logotypes, etc. The designation of any services provided by the practice as being of specialist nature is not permitted. Similar provisions apply to nameplates.

### (xi) Newspaper Announcements

Appropriate newspapers or magazines may be used to inform the public of the establishment of a new practice, of changes in the composition of a partnership, or of any alteration in the address and telephone number of a practice.

Such announcements should be limited to a bare statement of facts and consideration given to the appropriateness of the area of distribution of the newspaper or magazine and number of insertions.

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- (xii) Inclusion of the name of a chartered accountant in practice in a document issued by a client

When a client proposes to publish a report by a chartered accountant in practice dealing with the client's existing business affairs or in connection with the establishment of a new business venture, chartered accountant in practice should take steps to ensure that the context in which the report is published is not such as might result in the public being misled as to the nature and meaning of the report. In these circumstances, practicing member should advise the client that permission should first be obtained before publication of the document.

Similar consideration should be given to other documents proposed to be issued by a client containing the name of a chartered accountant in practice acting in an independent professional capacity.

This does not preclude the inclusion of the name of a chartered accountant in practice in the annual report of a client.

When chartered accountant in practice in their private capacity are associated with, or hold office in, an organization, the organization may use their name and professional status on stationery and other documents. The chartered accountant in practice should ensure that this information is not used in such a way as might lead the public to believe that there is a connection with the organization in an independent professional capacity.

- (xiii) Advertising material used to promote a course, which he has been asked to conduct

It is of value to prospective students and course participants to know the instructor's background - such as degrees he holds, professional body affiliations, and the name of his firm. The chartered accountant has the responsibility to ascertain that all promotional efforts are within the bounds of this Section.

- (xiv) The use of the CA title on an Employer's Stationery

The use of the CA title on an employer's stationery by a chartered accountant not in practice is proper. It would also be proper for the CA title of the member to appear in paid advertisements of the employer that list the officers and directors.

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(xv) Greeting and Invitation Cards

Greeting and invitation cards may be sent in the name of a chartered accountant or his firm. Professional qualifications may be indicated but no information shall be given regarding the services that the chartered accountant or the firm provides.

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**INTERNATIONAL INDEPENDENCE STANDARDS (PARTS 4A AND 4B)**

**PART 4A - INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS**

**SECTION 400**

**APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS**

**Introduction**

**General**

- 400.1 It is in the public interest and required by the Code that chartered accountants in practice be independent when performing audit or review engagements.
- 400.2 This Part applies to both audit and review engagements. The terms “audit,” “audit team,” “audit engagement,” “audit client,” and “audit report” apply equally to review, review team, review engagement, review client, and review engagement report.
- 400.3 In this Part, the term “chartered accountant” refers to individual chartered accountants in practice and their firms.
- 400.4 ISQC 1 requires a firm to establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements (including network firm personnel), maintain independence where required by relevant ethics requirements. ISAs and ISREs establish responsibilities for engagement partners and engagement teams at the level of the engagement for audits and reviews, respectively. The allocation of responsibilities within a firm will depend on its size, structure and organization. Many of the provisions of this Part do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. Firms assign responsibility for a particular action to an individual or a group of individuals (such as an audit team), in accordance with ISQC 1. In addition, an individual chartered accountant remains responsible for compliance with any provisions that apply to that accountant’s activities, interests or relationships.
- 400.5 Independence is linked to the principles of objectivity and integrity. It comprises:
- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual

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to act with integrity, and exercise objectivity and professional skepticism.

- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm’s, or an audit team member’s, integrity, objectivity or professional skepticism has been compromised.

In this Part, references to an individual or firm being “independent” mean that the individual or firm has complied with the provisions of this Part.

400.6 When performing audit engagements, the Code requires firms to comply with the fundamental principles and be independent. This Part sets out specific requirements and application material on how to apply the conceptual framework to maintain independence when performing such engagements. The conceptual framework set out in Section 120 applies to independence as it does to the fundamental principles set out in Section 110.

400.7 This Part describes:

- (a) Facts and circumstances, including professional activities, interests and relationships, that create or might create threats to independence;
- (b) Potential actions, including safeguards, that might be appropriate to address any such threats; and
- (c) Some situations where the threats cannot be eliminated or there can be no safeguards to reduce them to an acceptable level.

### **Public Interest Entities**

400.8 Some of the requirements and application material set out in this Part reflect the extent of public interest in certain entities which are defined to be public interest entities. Firms are encouraged to determine whether to treat additional entities, or certain categories of entities, as public interest entities because they have a large number and wide range of stakeholders. Factors to be considered include:

- The nature of the business, such as the holding of assets in a fiduciary capacity for a large number of stakeholders. Examples might include financial institutions, such as banks and insurance companies, and pension funds.
- Size.

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- Number of employees.

### **Reports that Include a Restriction on Use and Distribution**

400.9 An audit report might include a restriction on use and distribution. If it does and the conditions set out in Section 800 are met, then the independence requirements in this Part may be modified as provided in Section 800.

### **Assurance Engagements other than Audit and Review Engagements**

400.10 Independence standards for assurance engagements that are not audit or review engagements are set out in Part 4B – *Independence for Assurance Engagements Other than Audit and Review Engagements*.

### **Requirements and Application Material**

#### **General**

**R400.11** A firm performing an audit engagement shall be independent.

**R400.12** A firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence in relation to an audit engagement.

**[Paragraphs 400.13 to 400.19 are intentionally left blank]**

#### **Related Entities**

**R400.20** As defined, an audit client that is a listed entity includes all of its related entities. For all other entities, references to an audit client in this Part include related entities over which the client has direct or indirect control. When the audit team knows, or has reason to believe, that a relationship or circumstance involving any other related entity of the client is relevant to the evaluation of the firm's independence from the client, the audit team shall include that related entity when identifying, evaluating and addressing threats to independence.

**[Paragraphs 400.21 to 400.29 are intentionally left blank]**

#### **Period During which Independence is Required**

**R400.30** Independence, as required by this Part, shall be maintained during both:

- (a) The engagement period; and
- (b) The period covered by the financial statements.

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400.30 A1 The engagement period starts when the audit team begins to perform the audit. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report.

**R400.31** If an entity becomes an audit client during or after the period covered by the financial statements on which the firm will express an opinion, the firm shall determine whether any threats to independence are created by:

- (a) Financial or business relationships with the audit client during or after the period covered by the financial statements but before accepting the audit engagement; or
- (b) Previous services provided to the audit client by the firm or a network firm.

400.31 A1 Threats to independence are created if a non-assurance service was provided to an audit client during, or after the period covered by the financial statements, but before the audit team begins to perform the audit, and the service would not be permitted during the engagement period.

400.31 A2 Examples of actions that might be safeguards to address such threats include:

- Using professionals who are not audit team members to perform the service.
- Having an appropriate reviewer review the audit and non-assurance work as appropriate.
- Engaging another firm outside of the network to evaluate the results of the non-assurance service or having another firm outside of the network re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service.

**[Paragraphs 400.32 to 400.39 are intentionally left blank]**

### **Communication with those Charged with Governance**

400.40 A1 Paragraphs R300.9 and R300.10 set out requirements with respect to communicating with those charged with governance.

400.40 A2 Even when not required by the Code, applicable professional standards, laws or regulations, regular communication is encouraged between a firm and those charged with governance of the client regarding relationships and other matters that might, in the firm's opinion, reasonably bear on



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independence. Such communication enables those charged with governance to:

- (a) Consider the firm's judgments in identifying and evaluating threats;
- (b) Consider how threats have been addressed including the appropriateness of safeguards when they are available and capable of being applied; and
- (c) Take appropriate action.

Such an approach can be particularly helpful with respect to intimidation and familiarity threats.

**[Paragraphs 400.41 to 400.49 are intentionally left blank]**

### **Network Firms**

400.50 A1 Firms frequently form larger structures with other firms and entities to enhance their ability to provide professional services. Whether these larger structures create a network depends on the particular facts and circumstances. It does not depend on whether the firms and entities are legally separate and distinct.

**R400.51** A network firm shall be independent of the audit clients of the other firms within the network as required by this Part.

400.51 A1 The independence requirements in this Part that apply to a network firm apply to any entity that meets the definition of a network firm. It is not necessary for the entity also to meet the definition of a firm. For example, a consulting practice or professional law practice might be a network firm but not a firm.

**R400.52** When associated with a larger structure of other firms and entities, a firm shall:

- (a) Exercise professional judgment to determine whether a network is created by such a larger structure;
- (b) Consider whether a reasonable and informed third party would be likely to conclude that the other firms and entities in the larger structure are associated in such a way that a network exists; and
- (c) Apply such judgment consistently throughout such a larger structure.

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**R400.53** When determining whether a network is created by a larger structure of firms and other entities, a firm shall conclude that a network exists when such a larger structure is aimed at co-operation and:

- (a) It is clearly aimed at profit or cost sharing among the entities within the structure. (Ref: Para. 400.53 A2);
- (b) The entities within the structure share common ownership, control or management. (Ref: Para. 400.53 A3);
- (c) The entities within the structure share common quality control policies and procedures. (Ref: Para. 400.53 A4);
- (d) The entities within the structure share a common business strategy. (Ref: Para. 400.53 A5);
- (e) The entities within the structure share the use of a common brand name. (Ref: Para. 400.53 A6, 400.53 A7); or
- (f) The entities within the structure share a significant part of professional resources. (Ref: Para 400.53 A8, 400.53 A9).

400.53 A1 There might be other arrangements between firms and entities within a larger structure that constitute a network, in addition to those arrangements described in paragraph R400.53. However, a larger structure might be aimed only at facilitating the referral of work, which in itself does not meet the criteria necessary to constitute a network.

400.53 A2 The sharing of immaterial costs does not in itself create a network. In addition, if the sharing of costs is limited only to those costs related to the development of audit methodologies, manuals or training courses, this would not in itself create a network. Further, an association between a firm and an otherwise unrelated entity jointly to provide a service or develop a product does not in itself create a network. (Ref: Para. R400.53(a)).

400.53 A3 Common ownership, control or management might be achieved by contract or other means. (Ref: Para. R400.53(b)).

400.53 A4 Common quality control policies and procedures are those designed, implemented and monitored across the larger structure. (Ref: Para. R400.53(c)).

400.53 A5 Sharing a common business strategy involves an agreement by the entities to achieve common strategic objectives. An entity is not a network firm merely because it co-operates with another entity solely to respond jointly to a request for a proposal for the provision of a professional service. (Ref: Para. R400.53(d)).

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- 400.53 A6 A common brand name includes common initials or a common name. A firm is using a common brand name if it includes, for example, the common brand name as part of, or along with, its firm name when a partner of the firm signs an audit report. (Ref: Para. R400.53(e)).
- 400.53 A7 Even if a firm does not belong to a network and does not use a common brand name as part of its firm name, it might appear to belong to a network if its stationery or promotional materials refer to the firm being a member of an association of firms. Accordingly, if care is not taken in how a firm describes such membership, a perception might be created that the firm belongs to a network. (Ref: Para. R400.53(e)).
- 400.53 A8 Professional resources include:
- Common systems that enable firms to exchange information such as client data, billing and time records.
  - Partners and other personnel.
  - Technical departments that consult on technical or industry specific issues, transactions or events for assurance engagements.
  - Audit methodology or audit manuals.
  - Training courses and facilities. (Ref: Para. R400.53(f)).
- 400.53 A9 Whether the shared professional resources are significant depends on the circumstances. For example:
- The shared resources might be limited to common audit methodology or audit manuals, with no exchange of personnel or client or market information. In such circumstances, it is unlikely that the shared resources would be significant. The same applies to a common training endeavor.
  - The shared resources might involve the exchange of personnel or information, such as where personnel are drawn from a shared pool, or where a common technical department is created within the larger structure to provide participating firms with technical advice that the firms are required to follow. In such circumstances, a reasonable and informed third party is more likely to conclude that the shared resources are significant. (Ref: Para. R400.53(f)).
- R400.54** If a firm or a network sells a component of its practice, and the component continues to use all or part of the firm's or network's name for a limited time, the relevant entities shall determine how to disclose that they are not network firms when presenting themselves to outside parties.

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400.54 A1 The agreement for the sale of a component of a practice might provide that, for a limited period of time, the sold component can continue to use all or part of the name of the firm or the network, even though it is no longer connected to the firm or the network. In such circumstances, while the two entities might be practicing under a common name, the facts are such that they do not belong to a larger structure aimed at cooperation. The two entities are therefore not network firms.

**[Paragraphs 400.55 to 400.59 are intentionally left blank]**

### **General Documentation of Independence for Audit and Review Engagements**

**R400.60** A firm shall document conclusions regarding compliance with this Part, and the substance of any relevant discussions that support those conclusions. In particular:

- (a) When safeguards are applied to address a threat, the firm shall document the nature of the threat and the safeguards in place or applied; and
- (b) When a threat required significant analysis and the firm concluded that the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.

400.60 A1 Documentation provides evidence of the firm's judgments in forming conclusions regarding compliance with this Part. However, a lack of documentation does not determine whether a firm considered a particular matter or whether the firm is independent.

**[Paragraphs 400.61 to 400.69 are intentionally left blank]**

### **Mergers and Acquisitions**

#### *When a Client Merger Creates a Threat*

400.70 A1 An entity might become a related entity of an audit client because of a merger or acquisition. A threat to independence and, therefore, to the ability of a firm to continue an audit engagement might be created by previous or current interests or relationships between a firm or network firm and such a related entity.

**R400.71** In the circumstances set out in paragraph 400.70 A1

- (a) The firm shall identify and evaluate previous and current interests and relationships with the related entity that, taking into account any actions taken to address the threat, might affect its independence and

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therefore its ability to continue the audit engagement after the effective date of the merger or acquisition; and

- (b) Subject to paragraph R400.72, the firm shall take steps to end any interests or relationships that are not permitted by the Code by the effective date of the merger or acquisition.

**R400.72** As an exception to paragraph R400.71(b), if the interest or relationship cannot reasonably be ended by the effective date of the merger or acquisition, the firm shall:

- (a) Evaluate the threat that is created by the interest or relationship; and
- (b) Discuss with those charged with governance the reasons why the interest or relationship cannot reasonably be ended by the effective date and the evaluation of the level of the threat.

400.72 A1 In some circumstances, it might not be reasonably possible to end an interest or relationship creating a threat by the effective date of the merger or acquisition. This might be because the firm provides a non-assurance service to the related entity, which the entity is not able to transition in an orderly manner to another provider by that date.

400.72 A2 Factors that are relevant in evaluating the level of a threat created by mergers and acquisitions when there are interests and relationships that cannot reasonably be ended include:

- The nature and significance of the interest or relationship.
- The nature and significance of the related entity relationship (for example, whether the related entity is a subsidiary or parent).
- The length of time until the interest or relationship can reasonably be ended.

**R400.73** If, following the discussion set out in paragraph R400.72(b), those charged with governance request the firm to continue as the auditor, the firm shall do so only if:

- (a) The interest or relationship will be ended as soon as reasonably possible but no later than six months after the effective date of the merger or acquisition;
- (b) Any individual who has such an interest or relationship, including one that has arisen through performing a non-assurance service that would not be permitted by Section 600 and its subsections, will not

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be a member of the engagement team for the audit or the individual responsible for the engagement quality control review; and

- (c) Transitional measures will be applied, as necessary, and discussed with those charged with governance.

400.73 A1 Examples of such transitional measures include:

- Having a chartered accountant review the audit or non-assurance work as appropriate.
- Having a chartered accountant, who is not a member of the firm expressing the opinion on the financial statements, perform a review that is equivalent to an engagement quality control review.
- Engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service.

**R400.74** The firm might have completed a significant amount of work on the audit prior to the effective date of the merger or acquisition and might be able to complete the remaining audit procedures within a short period of time. In such circumstances, if those charged with governance request the firm to complete the audit while continuing with an interest or relationship identified in paragraph 400.70 A1, the firm shall only do so if it:

- (a) Has evaluated the level of the threat and discussed the results with those charged with governance;
- (b) Complies with the requirements of paragraph R400.73(a) to (c); and
- (c) Ceases to be the auditor no later than the date that the audit report is issued.

### *If Objectivity Remains Compromised*

**R400.75** Even if all the requirements of paragraphs R400.71 to R400.74 could be met, the firm shall determine whether the circumstances identified in paragraph 400.70 A1 create a threat that cannot be addressed such that objectivity would be compromised. If so, the firm shall cease to be the auditor.

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### *Documentation*

**R400.76** The firm shall document:

- (a) Any interests or relationships identified in paragraph 400.70 A1 that will not be ended by the effective date of the merger or acquisition and the reasons why they will not be ended;
- (b) The transitional measures applied;
- (c) The results of the discussion with those charged with governance; and
- (d) The reasons why the previous and current interests and relationships do not create a threat such that objectivity would be compromised.

**[Paragraphs 400.77 to 400.79 are intentionally left blank.]**

### **Breach of an Independence Provision for Audit and Review Engagements**

#### *When a Firm Identifies a Breach*

**R400.80** If a firm concludes that a breach of a requirement in this Part has occurred, the firm shall:

- (a) End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach;
- (b) Consider whether any legal or regulatory requirements apply to the breach and, if so:
  - (i) Comply with those requirements; and
  - (ii) Consider reporting the breach to a professional or regulatory body or oversight authority if such reporting is common practice or expected in the relevant jurisdiction;
- (c) Promptly communicate the breach in accordance with its policies and procedures to:
  - (i) The engagement partner;
  - (ii) Those with responsibility for the policies and procedures relating to independence;
  - (iii) Other relevant personnel in the firm and, where appropriate, the network; and

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- (iv) Those subject to the independence requirements in Part 4A who need to take appropriate action;
- (d) Evaluate the significance of the breach and its impact on the firm's objectivity and ability to issue an audit report; and
- (e) Depending on the significance of the breach, determine:
  - (i) Whether to end the audit engagement; or
  - (ii) Whether it is possible to take action that satisfactorily addresses the consequences of the breach and whether such action can be taken and is appropriate in the circumstances.

In making this determination, the firm shall exercise professional judgment and take into account whether a reasonable and informed third party would be likely to conclude that the firm's objectivity would be compromised, and therefore, the firm would be unable to issue an audit report.

- 400.80 A1 A breach of a provision of this Part might occur despite the firm having policies and procedures designed to provide it with reasonable assurance that independence is maintained. It might be necessary to end the audit engagement because of the breach.
- 400.80 A2 The significance and impact of a breach on the firm's objectivity and ability to issue an audit report will depend on factors such as:
- The nature and duration of the breach.
  - The number and nature of any previous breaches with respect to the current audit engagement.
  - Whether an audit team member had knowledge of the interest or relationship that created the breach.
  - Whether the individual who created the breach is an audit team member or another individual for whom there are independence requirements.
  - If the breach relates to an audit team member, the role of that individual.
  - If the breach was created by providing a professional service, the impact of that service, if any, on the accounting records or the amounts recorded in the financial statements on which the firm will express an opinion.



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- The extent of the self-interest, advocacy, intimidation or other threats created by the breach.

400.80 A3 Depending upon the significance of the breach, examples of actions that the firm might consider to address the breach satisfactorily include:

- Removing the relevant individual from the audit team.
- Using different individuals to conduct an additional review of the affected audit work or to re-perform that work to the extent necessary.
- Recommending that the audit client engage another firm to review or re-perform the affected audit work to the extent necessary.
- If the breach relates to a non-assurance service that affects the accounting records or an amount recorded in the financial statements, engaging another firm to evaluate the results of the non-assurance service or having another firm re-perform the non-assurance service to the extent necessary to enable the other firm to take responsibility for the service.

**R400.81** If the firm determines that action cannot be taken to address the consequences of the breach satisfactorily, the firm shall inform those charged with governance as soon as possible and take the steps necessary to end the audit engagement in compliance with any applicable legal or regulatory requirements. Where ending the engagement is not permitted by laws or regulations, the firm shall comply with any reporting or disclosure requirements.

**R400.82** If the firm determines that action can be taken to address the consequences of the breach satisfactorily, the firm shall discuss with those charged with governance:

- (a) The significance of the breach, including its nature and duration;
- (b) How the breach occurred and how it was identified;
- (c) The action proposed or taken and why the action will satisfactorily address the consequences of the breach and enable the firm to issue an audit report;
- (d) The conclusion that, in the firm's professional judgment, objectivity has not been compromised and the rationale for that conclusion; and

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- (e) Any steps proposed or taken by the firm to reduce or avoid the risk of further breaches occurring.

Such discussion shall take place as soon as possible unless an alternative timing is specified by those charged with governance for reporting less significant breaches.

### *Communication of Breaches to Those Charged with Governance*

400.83 A1 Paragraphs R300.9 and R300.10 set out requirements with respect to communicating with those charged with governance.

**R400.84** With respect to breaches, the firm shall communicate in writing to those charged with governance:

- (a) All matters discussed in accordance with paragraph R400.82 and obtain the concurrence of those charged with governance that action can be, or has been, taken to satisfactorily address the consequences of the breach; and
- (b) A description of:
  - (i) The firm's policies and procedures relevant to the breach designed to provide it with reasonable assurance that independence is maintained; and
  - (ii) Any steps that the firm has taken, or proposes to take, to reduce or avoid the risk of further breaches occurring.

**R400.85** If those charged with governance do not concur that the action proposed by the firm in accordance with paragraph R400.80(e)(ii) satisfactorily addresses the consequences of the breach, the firm shall take the steps necessary to end the audit engagement in accordance with paragraph R400.81.

### *Breaches Before the Previous Audit Report was Issued*

**R400.86** If the breach occurred prior to the issuance of the previous audit report, the firm shall comply with the provisions of Part 4A in evaluating the significance of the breach and its impact on the firm's objectivity and its ability to issue an audit report in the current period.

**R400.87** The firm shall also:

- (a) Consider the impact of the breach, if any, on the firm's objectivity in relation to any previously issued audit reports, and the possibility of withdrawing such audit reports; and
- (b) Discuss the matter with those charged with governance.

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*Documentation*

**R400.88** In complying with the requirements in paragraphs R400.80 to R400.87, the firm shall document:

- (a) The breach;
- (b) The actions taken;
- (c) The key decisions made;
- (d) All the matters discussed with those charged with governance; and
- (e) Any discussions with a professional or regulatory body or oversight authority.

**R400.89** If the firm continues with the audit engagement, it shall document:

- (a) The conclusion that, in the firm's professional judgment, objectivity has not been compromised; and
- (b) The rationale for why the action taken satisfactorily addressed the consequences of the breach so that the firm could issue an audit report.

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**SECTION 410**

**FEES**

**Introduction**

410.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

410.2 The nature and level of fees or other types of remuneration might create a self-interest or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

**Requirements and Application Material**

**Fees – Relative Size**

*All Audit Clients*

410.3 A1 When the total fees generated from an audit client by the firm expressing the audit opinion represent a large proportion of the total fees of that firm, the dependence on that client and concern about losing the client create a self-interest or intimidation threat.

410.3 A2 Factors that are relevant in evaluating the level of such threats include:

- The operating structure of the firm.
- Whether the firm is well established or new.
- The significance of the client qualitatively and/or quantitatively to the firm.

410.3 A3 An example of an action that might be a safeguard to address such a self-interest or intimidation threat is increasing the client base in the firm to reduce dependence on the audit client.

410.3 A4 A self-interest or intimidation threat is also created when the fees generated by a firm from an audit client represent a large proportion of the revenue of one partner or one office of the firm.

410.3 A5 Factors that are relevant in evaluating the level of such threats include:

- The significance of the client qualitatively and/or quantitatively to the partner or office.

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- The extent to which the compensation of the partner, or the partners in the office, is dependent upon the fees generated from the client.

410.3 A6 Examples of actions that might be safeguards to address such self-interest or intimidation threats include:

- Increasing the client base of the partner or the office to reduce dependence on the audit client.
- Having an appropriate reviewer who did not take part in the audit engagement review the work.

### *Audit Clients that are Public Interest Entities*

**R410.4** Where an audit client is a public interest entity and, for two consecutive years, the total fees from the client and its related entities represent more than 15% of the total fees received by the firm expressing the opinion on the financial statements of the client, the firm shall:

- (a) Disclose to those charged with governance of the audit client the fact that the total of such fees represents more than 15% of the total fees received by the firm; and
- (b) Discuss whether either of the following actions might be a safeguard to address the threat created by the total fees received by the firm from the client, and if so, apply it:
  - (i) Prior to the audit opinion being issued on the second year's financial statements, a chartered accountant, who is not a member of the firm expressing the opinion on the financial statements, performs an engagement quality control review of that engagement; or a professional body performs a review of that engagement that is equivalent to an engagement quality control review ("a pre-issuance review"); or
  - (ii) After the audit opinion on the second year's financial statements has been issued, and before the audit opinion being issued on the third year's financial statements, a chartered accountant, who is not a member of the firm expressing the opinion on the financial statements, or a professional body performs a review of the second year's audit that is equivalent to an engagement quality control review ("a post-issuance review").

**R410.5** When the total fees described in paragraph R410.4 significantly exceed 15%, the firm shall determine whether the level of the threat is such that a post-issuance review would not reduce the threat to an acceptable level. If so, the firm shall have a pre-issuance review performed.

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**R410.6** If the fees described in paragraph R410.4 continue to exceed 15%, the firm shall each year:

- (a) Disclose to and discuss with those charged with governance the matters set out in paragraph R410.4; and
- (b) Comply with paragraphs R410.4(b) and R410.5.

### **Fees – Overdue**

410.7 A1 A self-interest threat might be created if a significant part of fees is not paid before the audit report for the following year is issued. It is generally expected that the firm will require payment of such fees before such audit report is issued. The requirements and application material set out in Section 511 with respect to loans and guarantees might also apply to situations where such unpaid fees exist.

410.7 A2 Examples of actions that might be safeguards to address such a self-interest threat include:

- Obtaining partial payment of overdue fees.
- Having an appropriate reviewer who did not take part in the audit engagement review the work performed.

**R410.8** When a significant part of fees due from an audit client remains unpaid for a long time, the firm shall determine:

- (a) Whether the overdue fees might be equivalent to a loan to the client; and
- (b) Whether it is appropriate for the firm to be re-appointed or continue the audit engagement.

### **Contingent Fees**

410.9 A1 Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed. A contingent fee charged through an intermediary is an example of an indirect contingent fee. In this section, a fee is not regarded as being contingent if established by a court or other public authority.

**R410.10** A firm shall not charge directly or indirectly a contingent fee for an audit engagement.

**R410.11** A firm or network firm shall not charge directly or indirectly a contingent fee for a non-assurance service provided to an audit client, if:

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- (a) The fee is charged by the firm expressing the opinion on the financial statements and the fee is material or expected to be material to that firm;
- (b) The fee is charged by a network firm that participates in a significant part of the audit and the fee is material or expected to be material to that firm; or
- (c) The outcome of the non-assurance service, and therefore the amount of the fee, is dependent on a future or contemporary judgment related to the audit of a material amount in the financial statements.

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### SECTION 411

#### COMPENSATION AND EVALUATION POLICIES

##### Introduction

411.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

411.2 A firm's evaluation or compensation policies might create a self-interest threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

411.3 A1 When an audit team member for a particular audit client is evaluated on or compensated for selling non-assurance services to that audit client, the level of the self-interest threat will depend on:

- (a) What proportion of the compensation or evaluation is based on the sale of such services;
- (b) The role of the individual on the audit team; and
- (c) Whether the sale of such non-assurance services influences promotion decisions.

411.3 A2 Examples of actions that might eliminate such a self-interest threat include:

- Revising the compensation plan or evaluation process for that individual.
- Removing that individual from the audit team.

411.3 A3 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review the work of the audit team member.

R411.4 A firm shall not evaluate or compensate a key audit partner based on that partner's success in selling non-assurance services to the partner's audit client. This requirement does not preclude normal profit-sharing arrangements between partners of a firm.



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**SECTION 420**

**GIFTS AND HOSPITALITY**

**Introduction**

- 420.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 420.2 Accepting gifts and hospitality from an audit client might create a self-interest, familiarity or intimidation threat. This section sets out a specific requirement and application material relevant to applying the conceptual framework in such circumstances.

**Requirement and Application Material**

- R420.3** A firm, network firm or an audit team member shall not accept gifts and hospitality from an audit client, unless the value is trivial and inconsequential.
- 420.3 A1 Where a firm, network firm or audit team member is offering or accepting an inducement to or from an audit client, the requirements and application material set out in Section 340 apply and non-compliance with these requirements might create threats to independence.
- 420.3 A2 The requirements set out in Section 340 relating to offering or accepting inducements do not allow a firm, network firm or audit team member to accept gifts and hospitality where the intent is to improperly influence behavior even if the value is trivial and inconsequential.

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### SECTION 430

#### ACTUAL OR THREATENED LITIGATION

##### Introduction

- 430.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 430.2 When litigation with an audit client occurs, or appears likely, self-interest and intimidation threats are created. This section sets out specific application material relevant to applying the conceptual framework in such circumstances.

##### Application Material

###### General

- 430.3 A1 The relationship between client management and audit team members must be characterized by complete candor and full disclosure regarding all aspects of a client's operations. Adversarial positions might result from actual or threatened litigation between an audit client and the firm, a network firm or an audit team member. Such adversarial positions might affect management's willingness to make complete disclosures and create self-interest and intimidation threats.
- 430.3 A2 Factors that are relevant in evaluating the level of such threats include:
- The materiality of the litigation.
  - Whether the litigation relates to a prior audit engagement.
- 430.3 A3 If the litigation involves an audit team member, an example of an action that might eliminate such self-interest and intimidation threats is removing that individual from the audit team.
- 430.3 A4 An example of an action that might be a safeguard to address such self-interest and intimidation threats is to have an appropriate reviewer review the work performed.

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### SECTION 510

#### FINANCIAL INTERESTS

##### Introduction

510.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

510.2 Holding a financial interest in an audit client might create a self-interest threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

510.3 A1 A financial interest might be held directly or indirectly through an intermediary such as a collective investment vehicle, an estate or a trust. When a beneficial owner has control over the intermediary or ability to influence its investment decisions, the Code defines that financial interest to be direct. Conversely, when a beneficial owner has no control over the intermediary or ability to influence its investment decisions, the Code defines that financial interest to be indirect.

510.3 A2 This section contains references to the “materiality” of a financial interest. In determining whether such an interest is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.

510.3 A3 Factors that are relevant in evaluating the level of a self-interest threat created by holding a financial interest in an audit client include:

- The role of the individual holding the financial interest.
- Whether the financial interest is direct or indirect.
- The materiality of the financial interest.

###### Financial Interests Held by the Firm, a Network Firm, Audit Team Members and Others

**R510.4** Subject to paragraph R510.5, a direct financial interest or a material indirect financial interest in the audit client shall not be held by:

- (a) The firm or a network firm;

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- (b) An audit team member, or any of that individual's immediate family;
- (c) Any other partner in the office in which an engagement partner practices in connection with the audit engagement, or any of that other partner's immediate family; or
- (d) Any other partner or managerial employee who provides non-audit services to the audit client, except for any whose involvement is minimal, or any of that individual's immediate family.

510.4 A1 The office in which the engagement partner practices in connection with an audit engagement is not necessarily the office to which that partner is assigned. When the engagement partner is located in a different office from that of the other audit team members, professional judgment is needed to determine the office in which the partner practices in connection with the engagement.

**R510.5** As an exception to paragraph R510.4, an immediate family member identified in subparagraphs R510.4(c) or (d) may hold a direct or material indirect financial interest in an audit client, provided that:

- (a) The family member received the financial interest because of employment rights, for example through pension or share option plans, and, when necessary, the firm addresses the threat created by the financial interest; and
- (b) The family member disposes of or forfeits the financial interest as soon as practicable when the family member has or obtains the right to do so, or in the case of a stock option, when the family member obtains the right to exercise the option.

### **Financial Interests in an Entity Controlling an Audit Client**

**R510.6** When an entity has a controlling interest in an audit client and the client is material to the entity, neither the firm, nor a network firm, nor an audit team member, nor any of that individual's immediate family shall hold a direct or material indirect financial interest in that entity.

### **Financial Interests Held as Trustee**

**R510.7** Paragraph R510.4 shall also apply to a financial interest in an audit client held in a trust for which the firm, network firm or individual acts as trustee, unless:

- (a) None of the following is a beneficiary of the trust: the trustee, the audit team member or any of that individual's immediate family, the firm or a network firm;

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- (b) The interest in the audit client held by the trust is not material to the trust;
- (c) The trust is not able to exercise significant influence over the audit client; and
- (d) None of the following can significantly influence any investment decision involving a financial interest in the audit client: the trustee, the audit team member or any of that individual's immediate family, the firm or a network firm.

### **Financial Interests in Common with the Audit Client**

- R510.8**
- (a) A firm, or a network firm, or an audit team member, or any of that individual's immediate family shall not hold a financial interest in an entity when an audit client also has a financial interest in that entity, unless:
    - (i) The financial interests are immaterial to the firm, the network firm, the audit team member and that individual's immediate family member and the audit client, as applicable; or
    - (ii) The audit client cannot exercise significant influence over the entity.
  - (b) Before an individual who has a financial interest described in paragraph R510.8(a) can become an audit team member, the individual or that individual's immediate family member shall either:
    - (i) Dispose of the interest; or
    - (ii) Dispose of enough of the interest so that the remaining interest is no longer material.

### **Financial Interests Received Unintentionally**

- R510.9**
- If a firm, a network firm or a partner or employee of the firm or a network firm, or any of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in an audit client by way of an inheritance, gift, as a result of a merger or in similar circumstances and the interest would not otherwise be permitted to be held under this section, then:
- (a) If the interest is received by the firm or a network firm, or an audit team member or any of that individual's immediate family, the financial interest shall be disposed of immediately, or enough of an

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indirect financial interest shall be disposed of so that the remaining interest is no longer material; or

- (b) (i) If the interest is received by an individual who is not an audit team member, or by any of that individual's immediate family, the financial interest shall be disposed of as soon as possible, or enough of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; and
- (ii) Pending the disposal of the financial interest, when necessary the firm shall address the threat created.

### **Financial Interests – Other Circumstances**

#### *Immediate Family*

510.10 A1 A self-interest, familiarity, or intimidation threat might be created if an audit team member, or any of that individual's immediate family, or the firm or a network firm has a financial interest in an entity when a director or officer or controlling owner of the audit client is also known to have a financial interest in that entity.

510.10 A2 Factors that are relevant in evaluating the level of such threats include:

- The role of the individual on the audit team.
- Whether ownership of the entity is closely or widely held.
- Whether the interest allows the investor to control or significantly influence the entity.
- The materiality of the financial interest.

510.10 A3 An example of an action that might eliminate such a self-interest, familiarity, or intimidation threat is removing the audit team member with the financial interest from the audit team.

510.10 A4 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review the work of the audit team member.

#### *Close Family*

510.10 A5 A self-interest threat might be created if an audit team member knows that a close family member has a direct financial interest or a material indirect financial interest in the audit client.

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- 510.10 A6 Factors that are relevant in evaluating the level of such a threat include:
- The nature of the relationship between the audit team member and the close family member.
  - Whether the financial interest is direct or indirect.
  - The materiality of the financial interest to the close family member.
- 510.10 A7 Examples of actions that might eliminate such a self-interest threat include:
- Having the close family member dispose, as soon as practicable, of all of the financial interest or dispose of enough of an indirect financial interest so that the remaining interest is no longer material.
  - Removing the individual from the audit team.
- 510.10 A8 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review the work of the audit team member.

### *Other Individuals*

- 510.10 A9 A self-interest threat might be created if an audit team member knows that a financial interest in the audit client is held by individuals such as:
- Partners and professional employees of the firm or network firm, apart from those who are specifically not permitted to hold such financial interests by paragraph R510.4, or their immediate family members.
  - Individuals with a close personal relationship with an audit team member.
- 510.10 A10 Factors that are relevant in evaluating the level of such a threat include:
- The firm's organizational, operating and reporting structure.
  - The nature of the relationship between the individual and the audit team member.
- 510.10 A11 An example of an action that might eliminate such a self-interest threat is removing the audit team member with the personal relationship from the audit team.

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510.10 A12 Examples of actions that might be safeguards to address such a self-interest threat include:

- Excluding the audit team member from any significant decision-making concerning the audit engagement.
- Having an appropriate reviewer review the work of the audit team member.

*Retirement Benefit Plan of a Firm or Network Firm*

510.10 A13 A self-interest threat might be created if a retirement benefit plan of a firm or a network firm holds a direct or material indirect financial interest in an audit client.



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### SECTION 511

#### LOANS AND GUARANTEES

##### Introduction

511.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

511.2 A loan or a guarantee of a loan with an audit client might create a self-interest threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

511.3 A1 This section contains references to the “materiality” of a loan or guarantee. In determining whether such a loan or guarantee is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.

###### Loans and Guarantees with an Audit Client

**R511.4** A firm, a network firm, an audit team member, or any of that individual’s immediate family shall not make or guarantee a loan to an audit client unless the loan or guarantee is immaterial to:

- (a) The firm, the network firm or the individual making the loan or guarantee, as applicable; and
- (b) The client.

###### Loans and Guarantees with an Audit Client that is a Bank or Similar Institution

**R511.5** A firm, a network firm, an audit team member, or any of that individual’s immediate family shall not accept a loan, or a guarantee of a loan, from an audit client that is a bank or a similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.

511.5 A1 Examples of loans include mortgages, bank overdrafts, car loans, and credit card balances.

511.5 A2 Even if a firm or network firm receives a loan from an audit client that is a bank or similar institution under normal lending procedures, terms and conditions, the loan might create a self-interest threat if it is material to the audit client or firm receiving the loan.

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511.5 A3 An example of an action that might be a safeguard to address such a self-interest threat is having the work reviewed by an appropriate reviewer, who is not an audit team member, from a network firm that is not a beneficiary of the loan.

*Deposits or Brokerage Accounts*

**R511.6** A firm, a network firm, an audit team member, or any of that individual's immediate family shall not have deposits or a brokerage account with an audit client that is a bank, broker or similar institution, unless the deposit or account is held under normal commercial terms.

**Loans and Guarantees with an Audit Client that is Not a Bank or Similar Institution**

**R511.7** A firm, a network firm, an audit team member, or any of that individual's immediate family shall not accept a loan from, or have a borrowing guaranteed by, an audit client that is not a bank or similar institution, unless the loan or guarantee is immaterial to:

- (a) The firm, the network firm, or the individual receiving the loan or guarantee, as applicable; and
- (b) The client

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### SECTION 520

#### BUSINESS RELATIONSHIPS

##### Introduction

- 520.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 520.2 A close business relationship with an audit client or its management might create a self-interest or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

- 520.3 A1 This section contains references to the “materiality” of a financial interest and the “significance” of a business relationship. In determining whether such a financial interest is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.
- 520.3 A2 Examples of a close business relationship arising from a commercial relationship or common financial interest include:
- Having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
  - Arrangements to combine one or more services or products of the firm or a network firm with one or more services or products of the client and to market the package with reference to both parties.
  - Distribution or marketing arrangements under which the firm or a network firm distributes or markets the client’s products or services, or the client distributes or markets the firm or a network firm’s products or services.

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### **Firm, Network Firm, Audit Team Member or Immediate Family Business Relationships**

**R520.4** A firm, a network firm or an audit team member shall not have a close business relationship with an audit client or its management unless any financial interest is immaterial and the business relationship is insignificant to the client or its management and the firm, the network firm or the audit team member, as applicable.

520.4 A1 A self-interest or intimidation threat might be created if there is a close business relationship between the audit client or its management and the immediate family of an audit team member.

### **Common Interests in Closely-Held Entities**

**R520.5** A firm, a network firm, an audit team member, or any of that individual's immediate family shall not have a business relationship involving the holding of an interest in a closely-held entity when an audit client or a director or officer of the client, or any group thereof, also holds an interest in that entity, unless:

- (a) The business relationship is insignificant to the firm, the network firm, or the individual as applicable, and the client;
- (b) The financial interest is immaterial to the investor or group of investors; and
- (c) The financial interest does not give the investor, or group of investors, the ability to control the closely-held entity.

### **Buying Goods or Services**

520.6 A1 The purchase of goods and services from an audit client by a firm, a network firm, an audit team member, or any of that individual's immediate family does not usually create a threat to independence if the transaction is in the normal course of business and at arm's length. However, such transactions might be of such a nature and magnitude that they create a self-interest threat.

520.6 A2 Examples of actions that might eliminate such a self-interest threat include:

- Eliminating or reducing the magnitude of the transaction.
- Removing the individual from the audit team.

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### SECTION 521

#### FAMILY AND PERSONAL RELATIONSHIPS

##### Introduction

- 521.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 521.2 Family or personal relationships with client personnel might create a self-interest, familiarity or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

- 521.3 A1 A self-interest, familiarity or intimidation threat might be created by family and personal relationships between an audit team member and a director or officer or, depending on their role, certain employees of the audit client.
- 521.3 A2 Factors that are relevant in evaluating the level of such threats include:
- The individual's responsibilities on the audit team.
  - The role of the family member or other individual within the client, and the closeness of the relationship.

###### Immediate Family of an Audit Team Member

- 521.4 A1 A self-interest, familiarity or intimidation threat is created when an immediate family member of an audit team member is an employee in a position to exert significant influence over the client's financial position, financial performance or cash flows.
- 521.4 A2 Factors that are relevant in evaluating the level of such threats include:
- The position held by the immediate family member.
  - The role of the audit team member.
- 521.4 A3 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the audit team.

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521.4 A4 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the audit team so that the audit team member does not deal with matters that are within the responsibility of the immediate family member.

**R521.5** An individual shall not participate as an audit team member when any of that individual's immediate family:

- (a) Is a director or officer of the audit client;
- (b) Is an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion; or
- (c) Was in such position during any period covered by the engagement or the financial statements.

### **Close Family of an Audit Team Member**

521.6 A1 A self-interest, familiarity or intimidation threat is created when a close family member of an audit team member is:

- (a) A director or officer of the audit client; or
- (b) An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

521.6 A2 Factors that are relevant in evaluating the level of such threats include:

- The nature of the relationship between the audit team member and the close family member.
- The position held by the close family member.
- The role of the audit team member.

521.6 A3 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the audit team.

521.6 A4 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the audit team so that the audit team member does not deal with matters that are within the responsibility of the close family member.

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**Other Close Relationships of an Audit Team Member**

**R521.7** An audit team member shall consult in accordance with firm policies and procedures if the audit team member has a close relationship with an individual who is not an immediate or close family member, but who is:

- (a) A director or officer of the audit client; or
- (b) An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

521.7 A1 Factors that are relevant in evaluating the level of a self-interest, familiarity or intimidation threat created by such a relationship include:

- The nature of the relationship between the individual and the audit team member.
- The position the individual holds with the client.
- The role of the audit team member.

521.7 A2 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the audit team.

521.7 A3 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the audit team so that the audit team member does not deal with matters that are within the responsibility of the individual with whom the audit team member has a close relationship.

**Relationships of Partners and Employees of the Firm**

**R521.8** Partners and employees of the firm shall consult in accordance with firm policies and procedures if they are aware of a personal or family relationship between:

- (a) A partner or employee of the firm or network firm who is not an audit team member; and
- (b) A director or officer of the audit client or an employee of the audit client in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

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- 521.8 A1 Factors that are relevant in evaluating the level of a self-interest, familiarity or intimidation threat created by such a relationship include:
- The nature of the relationship between the partner or employee of the firm and the director or officer or employee of the client.
  - The degree of interaction of the partner or employee of the firm with the audit team.
  - The position of the partner or employee within the firm.
  - The position the individual holds with the client.
- 521.8 A2 Examples of actions that might be safeguards to address such self-interest, familiarity or intimidation threats include:
- Structuring the partner's or employee's responsibilities to reduce any potential influence over the audit engagement.
  - Having an appropriate reviewer review the relevant audit work performed



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**SECTION 522**

**RECENT SERVICE WITH AN AUDIT CLIENT**

**Introduction**

- 522.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 522.2 If an audit team member has recently served as a director or officer, or employee of the audit client, a self-interest, self-review or familiarity threat might be created. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

**Requirements and Application Material**

**Service During Period Covered by the Audit Report**

- R522.3** The audit team shall not include an individual who, during the period covered by the audit report:
- (a) Had served as a director or officer of the audit client; or
  - (b) Was an employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

**Service Prior to Period Covered by the Audit Report**

- 522.4 A1 A self-interest, self-review or familiarity threat might be created if, before the period covered by the audit report, an audit team member:
- (a) Had served as a director or officer of the audit client; or
  - (b) Was an employee in a position to exert significant influence over the preparation of the client's accounting records or financial statements on which the firm will express an opinion.

For example, a threat would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current audit engagement.

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522.4 A2 Factors that are relevant in evaluating the level of such threats include:

- The position the individual held with the client.
- The length of time since the individual left the client.
- The role of the audit team member.

522.4 A3 An example of an action that might be a safeguard to address such a self-interest, self-review or familiarity threat is having an appropriate reviewer review the work performed by the audit team member.

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**SECTION 523**

**SERVING AS A DIRECTOR OR OFFICER OF AN AUDIT CLIENT**

**Introduction**

523.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

523.2 Serving as a director or officer of an audit client creates self-review and self-interest threats. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

**Requirements and Application Material**

**Service as Director or Officer**

**R523.3** A partner or employee of the firm or a network firm shall not serve as a director or officer of an audit client of the firm.

**Service as Company Secretary**

**R523.4** A partner or employee of the firm or a network firm shall not serve as

Company Secretary for an audit client of the firm, unless:

- (a) This practice is specifically permitted under local law, professional rules or practice;
- (b) Management makes all relevant decisions; and
- (c) The duties and activities performed are limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory returns.

523.4 A1 The position of Company Secretary has different implications in different jurisdictions. Duties might range from: administrative duties (such as personnel management and the maintenance of company records and registers) to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters. Usually this position is seen to imply a close association with the entity. Therefore, a threat is created if a partner or employee of the firm or a network firm serves as Company Secretary for an audit client. (More information on providing non-assurance services to an audit client is set out in Section 600, *Provision of Non-assurance Services to an Audit Client*).

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**SECTION 524**

**EMPLOYMENT WITH AN AUDIT CLIENT**

**Introduction**

524.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

524.2 Employment relationships with an audit client might create a self-interest, familiarity or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

**Requirements and Application Material**

**All Audit Clients**

524.3 A1 A familiarity or intimidation threat might be created if any of the following individuals have been an audit team member or partner of the firm or a network firm:

- A director or officer of the audit client.
- An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

*Former Partner or Audit Team Member Restrictions*

**R524.4** The firm shall ensure that no significant connection remains between the firm or a network firm and:

- (a) A former partner who has joined an audit client of the firm; or
- (b) A former audit team member who has joined the audit client, if either has joined the audit client as:
  - (i) A director or officer; or
  - (ii) An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

A significant connection remains between the firm or a network firm and the individual, unless:

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- (a) The individual is not entitled to any benefits or payments from the firm or network firm that are not made in accordance with fixed pre-determined arrangements;
- (b) Any amount owed to the individual is not material to the firm or the network firm; and
- (c) The individual does not continue to participate or appear to participate in the firm's or the network firm's business or professional activities.

524.4 A1 Even if the requirements of paragraph R524.4 are met, a familiarity or intimidation threat might still be created.

524.4 A2 A familiarity or intimidation threat might also be created if a former partner of the firm or network firm has joined an entity in one of the positions described in paragraph 524.3 A1 and the entity subsequently becomes an audit client of the firm.

524.4 A3 Factors that are relevant in evaluating the level of such threats include:

- The position the individual has taken at the client.
- Any involvement the individual will have with the audit team.
- The length of time since the individual was an audit team member or partner of the firm or network firm.
- The former position of the individual within the audit team, firm or network firm. An example is whether the individual was responsible for maintaining regular contact with the client's management or those charged with governance.

524.4 A4 Examples of actions that might be safeguards to address such familiarity or intimidation threats include:

- Modifying the audit plan.
- Assigning to the audit team individuals who have sufficient experience relative to the individual who has joined the client.
- Having an appropriate reviewer review the work of the former audit team member.

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*Audit Team Members Entering Employment with a Client*

- R524.5** A firm or network firm shall have policies and procedures that require audit team members to notify the firm or network firm when entering employment negotiations with an audit client.
- 524.5 A1 A self-interest threat is created when an audit team member participates in the audit engagement while knowing that the audit team member will, or might, join the client at some time in the future.
- 524.5 A2 An example of an action that might eliminate such a self-interest threat is removing the individual from the audit team.
- 524.5 A3 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review any significant judgments made by that individual while on the team.

*Audit Clients that are Public Interest Entities*

Key Audit Partners

- R524.6** Subject to paragraph R524.8, if an individual who was a key audit partner with respect to an audit client that is a public interest entity joins the client as:
- (a) A director or officer; or
  - (b) An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion,
- independence is compromised unless, subsequent to the individual ceasing to be a key audit partner:
- (i) The audit client has issued audited financial statements covering a period of not less than twelve months; and
  - (ii) The individual was not an audit team member with respect to the audit of those financial statements.

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Senior or Managing Partner (Chief Executive or Equivalent) of the Firm

**R524.7** Subject to paragraph R524.8, if an individual who was the Senior or Managing Partner (Chief Executive or equivalent) of the firm joins an audit client that is a public interest entity as:

- (a) A director or officer; or
- (b) An employee in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion,

independence is compromised, unless twelve months have passed since the individual was the Senior or Managing Partner (Chief Executive or equivalent) of the firm.

Business Combinations

**R524.8** As an exception to paragraphs R524.6 and R524.7, independence is not compromised if the circumstances set out in those paragraphs arise as a result of a business combination and:

- (a) The position was not taken in contemplation of the business combination;
- (b) Any benefits or payments due to the former partner from the firm or a network firm have been settled in full, unless made in accordance with fixed pre-determined arrangements and any amount owed to the partner is not material to the firm or network firm as applicable;
- (c) The former partner does not continue to participate or appear to participate in the firm's or network firm's business or professional activities; and
- (d) The firm discusses the former partner's position held with the audit client with those charged with governance.

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**SECTION 525**

**TEMPORARY PERSONNEL ASSIGNMENTS**

**Introduction**

525.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

525.2 The loan of personnel to an audit client might create a self-review, advocacy or familiarity threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

**Requirements and Application Material**

**General**

525.3 A1 Examples of actions that might be safeguards to address threats created by the loan of personnel by a firm or a network firm to an audit client include:

- Conducting an additional review of the work performed by the loaned personnel might address a self-review threat.
- Not including the loaned personnel as an audit team member might address a familiarity or advocacy threat.
- Not giving the loaned personnel audit responsibility for any function or activity that the personnel performed during the loaned personnel assignment might address a self-review threat.

525.3 A2 When familiarity and advocacy threats are created by the loan of personnel by a firm or a network firm to an audit client, such that the firm or the network firm becomes too closely aligned with the views and interests of management, safeguards are often not available.

**R525.4** A firm or network firm shall not loan personnel to an audit client unless:

- (a) Such assistance is provided only for a short period of time;
- (b) The personnel are not involved in providing non-assurance services that would not be permitted under Section 600 and its subsections; and
- (c) The personnel do not assume management responsibilities and the audit client is responsible for directing and supervising the activities of the personnel.



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**SECTION 540**

**LONG ASSOCIATION OF PERSONNEL (INCLUDING PARTNER ROTATION)  
WITH AN AUDIT CLIENT**

**Introduction**

540.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

540.2 When an individual is involved in an audit engagement over a long period of time, familiarity and self-interest threats might be created. This section sets out requirements and application material relevant to applying the conceptual framework in such circumstances.

**Requirements and Application Material**

**All Audit Clients**

540.3 A1 Although an understanding of an audit client and its environment is fundamental to audit quality, a familiarity threat might be created as a result of an individual's long association as an audit team member with:

- (a) The audit client and its operations;
- (b) The audit client's senior management; or
- (c) The financial statements on which the firm will express an opinion or the financial information which forms the basis of the financial statements.

540.3 A2 A self-interest threat might be created as a result of an individual's concern about losing a longstanding client or an interest in maintaining a close personal relationship with a member of senior management or those charged with governance. Such a threat might influence the individual's judgment inappropriately.

540.3 A3 Factors that are relevant to evaluating the level of such familiarity or self-interest threats include:

- (a) In relation to the individual:
  - The overall length of the individual's relationship with the client, including if such relationship existed while the individual was at a prior firm.

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- How long the individual has been an engagement team member, and the nature of the roles performed.
- The extent to which the work of the individual is directed, reviewed and supervised by more senior personnel.
- The extent to which the individual, due to the individual's seniority, has the ability to influence the outcome of the audit, for example, by making key decisions or directing the work of other engagement team members.
- The closeness of the individual's personal relationship with senior management or those charged with governance.
- The nature, frequency and extent of the interaction between the individual and senior management or those charged with governance.

(b) In relation to the audit client:

- The nature or complexity of the client's accounting and financial reporting issues and whether they have changed.
- Whether there have been any recent changes in senior management or those charged with governance.
- Whether there have been any structural changes in the client's organization which impact the nature, frequency and extent of interactions the individual might have with senior management or those charged with governance.

540.3 A4 The combination of two or more factors might increase or reduce the level of the threats. For example, familiarity threats created over time by the increasingly close relationship between an individual and a member of the client's senior management would be reduced by the departure of that member of the client's senior management.

540.3 A5 An example of an action that might eliminate the familiarity and self-interest threats created by an individual being involved in an audit engagement over a long period of time would be rotating the individual off the audit team.

540.3 A6 Examples of actions that might be safeguards to address such familiarity or self-interest threats include:

- Changing the role of the individual on the audit team or the nature and extent of the tasks the individual performs.

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- Having an appropriate reviewer who was not an audit team member review the work of the individual.
- Performing regular independent internal or external quality reviews of the engagement.

**R540.4** If a firm decides that the level of the threats created can only be addressed by rotating the individual off the audit team, the firm shall determine an appropriate period during which the individual shall not:

- (a) Be a member of the engagement team for the audit engagement;
- (b) Provide quality control for the audit engagement; or
- (c) Exert direct influence on the outcome of the audit engagement.

The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed. In the case of a public interest entity, paragraphs R540.5 to R540.20 also apply.

### *Audit Clients that are Public Interest Entities*

**R540.5** Subject to paragraphs R540.7 to R540.9, in respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years unless the law prescribes a shorter period (the “time-on” period):

- (a) The engagement partner;
- (b) The individual appointed as responsible for the engagement quality control review; or
- (c) Any other key audit partner role.

After the time-on period, the individual shall serve a “cooling-off” period in accordance with the provisions in paragraphs R540.11 to R540.19.

**R540.6** In calculating the time-on period, the count of years shall not be restarted unless the individual ceases to act in any one of the roles in paragraph R540.5(a) to (c) for a minimum period. This minimum period is a consecutive period equal to at least the cooling-off period determined in accordance with paragraphs R540.11 to R540.13 as applicable to the role in which the individual served in the year immediately before ceasing such involvement.

540.6 A1 For example, an individual who served as engagement partner for four years followed by three years off can only act thereafter as a key audit partner on the same audit engagement for three further years (making a total of seven

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cumulative years). Thereafter, that individual is required to cool off in accordance with paragraph R540.14.

**R540.7** As an exception to paragraph R540.5, key audit partners whose continuity is especially important to audit quality may, in rare cases due to unforeseen circumstances outside the firm's control, and with the concurrence of those charged with governance, be permitted to serve an additional year as a key audit partner as long as the threat to independence can be eliminated or reduced to an acceptable level.

540.7 A1 For example, a key audit partner may remain in that role on the audit team for up to one additional year in circumstances where, due to unforeseen events, a required rotation was not possible, as might be the case due to serious illness of the intended engagement partner. In such circumstances, this will involve the firm discussing with those charged with governance the reasons why the planned rotation cannot take place and the need for any safeguards to reduce any threat created.

**R540.8** If an audit client becomes a public interest entity, a firm shall take into account the length of time an individual has served the audit client as a key audit partner before the client becomes a public interest entity in determining the timing of the rotation. If the individual has served the audit client as a key audit partner for a period of five cumulative years or less when the client becomes a public interest entity, the number of years the individual may continue to serve the client in that capacity before rotating off the engagement is seven years less the number of years already served. As an exception to paragraph R540.5, if the individual has served the audit client as a key audit partner for a period of six or more cumulative years when the client becomes a public interest entity, the individual may continue to serve in that capacity with the concurrence of those charged with governance for a maximum of two additional years before rotating off the engagement.

**R540.9** When a firm has only a few people with the necessary knowledge and experience to serve as a key audit partner on the audit of a public interest entity, rotation of key audit partners might not be possible. As an exception to paragraph R540.5, if an independent regulatory body in the relevant jurisdiction has provided an exemption from partner rotation in such circumstances, an individual may remain a key audit partner for more than seven years, in accordance with such exemption. This is provided that the independent regulatory body has specified other requirements which are to be applied, such as the length of time that the key audit partner may be exempted from rotation or a regular independent external review.

### Other Considerations Relating to the Time-on Period

**R540.10** In evaluating the threats created by an individual's long association with an audit engagement, a firm shall give particular consideration to the roles

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undertaken and the length of an individual's association with the audit engagement prior to the individual becoming a key audit partner.

- 540.10 A1 There might be situations where the firm, in applying the conceptual framework, concludes that it is not appropriate for an individual who is a key audit partner to continue in that role even though the length of time served as a key audit partner is less than seven years.

### Cooling-off Period

- R540.11** If the individual acted as the engagement partner for seven cumulative years, the cooling-off period shall be five consecutive years.
- R540.12** Where the individual has been appointed as responsible for the engagement quality control review and has acted in that capacity for seven cumulative years, the cooling-off period shall be three consecutive years.
- R540.13** If the individual has acted as a key audit partner other than in the capacities set out in paragraphs R540.11 and R540.12 for seven cumulative years, the cooling-off period shall be two consecutive years.

### Service in a combination of key audit partner roles

- R540.14** If the individual acted in a combination of key audit partner roles and served as the engagement partner for four or more cumulative years, the cooling-off period shall be five consecutive years.
- R540.15** Subject to paragraph R540.16(a), if the individual acted in a combination of key audit partner roles and served as the key audit partner responsible for the engagement quality control review for four or more cumulative years, the cooling-off period shall be three consecutive years.
- R540.16** If an individual has acted in a combination of engagement partner and engagement quality control review roles for four or more cumulative years during the time-on period, the cooling-off period shall:
- (a) As an exception to paragraph R540.15, be five consecutive years where the individual has been the engagement partner for three or more years; or
  - (b) Be three consecutive years in the case of any other combination.
- R540.17** If the individual acted in any combination of key audit partner roles other than those addressed in paragraphs R540.14 to R540.16, the cooling-off period shall be two consecutive years.

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### Service at a Prior Firm

**R540.18** In determining the number of years that an individual has been a key audit partner as set out in paragraph R540.5, the length of the relationship shall, where relevant, include time while the individual was a key audit partner on that engagement at a prior firm.

### Shorter Cooling-off Period Established by Law or Regulation

**R540.19** Where a legislative or regulatory body (or organization authorized or recognized by such legislative or regulatory body) has established a cooling-off period for an engagement partner of less than five consecutive years, the higher of that period or three years may be substituted for the cooling-off period of five consecutive years specified in paragraph R540.11, R540.14 and R540.16(a) provided that the applicable time-on period does not exceed seven years.

### Restrictions on Activities During the Cooling-off Period

**R540.20** For the duration of the relevant cooling-off period, the individual shall not:

- (a) Be an engagement team member or provide quality control for the audit engagement;
- (b) Consult with the engagement team or the client regarding technical or industry-specific issues, transactions or events affecting the audit engagement (other than discussions with the engagement team limited to work undertaken or conclusions reached in the last year of the individual's time-on period where this remains relevant to the audit);
- (c) Be responsible for leading or coordinating the professional services provided by the firm or a network firm to the audit client, or overseeing the relationship of the firm or a network firm with the audit client; or
- (d) Undertake any other role or activity not referred to above with respect to the audit client, including the provision of non-assurance services that would result in the individual:
  - (i) Having significant or frequent interaction with senior management or those charged with governance; or
  - (ii) Exerting direct influence on the outcome of the audit engagement.

540.20 A1 The provisions of paragraph R540.20 are not intended to prevent the individual from assuming a leadership role in the firm or a network firm, such as that of the Senior or Managing Partner (Chief Executive or equivalent).

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### SECTION 600

#### PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT

##### Introduction

- 600.1 Firms are required to comply with the fundamental principles, be independent, and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 600.2 Firms and network firms might provide a range of non-assurance services to their audit clients, consistent with their skills and expertise. Providing non-assurance services to audit clients might create threats to compliance with the fundamental principles and threats to independence.
- 600.3 This section sets out requirements and application material relevant to applying the conceptual framework to identify, evaluate and address threats to independence when providing non-assurance services to audit clients. The subsections that follow set out specific requirements and application material relevant when a firm or network firm provides certain non-assurance services to audit clients and indicate the types of threats that might be created as a result. Some of the subsections include requirements that expressly prohibit a firm or network firm from providing certain services to an audit client in certain circumstances because the threats created cannot be addressed by applying safeguards.

##### Requirements and Application Material

###### General

- R600.4** Before a firm or a network firm accepts an engagement to provide a non-assurance service to an audit client, the firm shall determine whether providing such a service might create a threat to independence.
- 600.4 A1 The requirements and application material in this section assist the firm in analyzing certain types of non-assurance services and the related threats that might be created if a firm or network firm provides non-assurance services to an audit client.
- 600.4 A2 New business practices, the evolution of financial markets and changes in information technology, are among the developments that make it impossible to draw up an all-inclusive list of non-assurance services that might be provided to an audit client. As a result, the Code does not include an exhaustive list of all non-assurance services that might be provided to an audit client.

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### *Evaluating Threats*

600.5 A1 Factors that are relevant in evaluating the level of threats created by providing a non-assurance service to an audit client include:

- The nature, scope and purpose of the service.
- The degree of reliance that will be placed on the outcome of the service as part of the audit.
- The legal and regulatory environment in which the service is provided.
- Whether the outcome of the service will affect matters reflected in the financial statements on which the firm will express an opinion, and, if so:
  - The extent to which the outcome of the service will have a material effect on the financial statements.
  - The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the financial statements.
- The level of expertise of the client's management and employees with respect to the type of service provided.
- The extent of the client's involvement in determining significant matters of judgment.
- The nature and extent of the impact of the service, if any, on the systems that generate information that forms a significant part of the client's:
  - Accounting records or financial statements on which the firm will express an opinion.
  - Internal controls over financial reporting.
- Whether the client is a public interest entity. For example, providing a non-assurance service to an audit client that is a public interest entity might be perceived to result in a higher level of a threat.

600.5 A2 Subsections 601 to 610 include examples of additional factors that are relevant in evaluating the level of threats created by providing the non-assurance services set out in those subsections.



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### Materiality in Relation to Financial Statements

600.5 A3 Subsections 601 to 610 refer to materiality in relation to an audit client's financial statements. The concept of materiality in relation to an audit is addressed in ISA 320, *Materiality in Planning and Performing an Audit*, and in relation to a review in ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*. The determination of materiality involves the exercise of professional judgment and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial information needs of users.

### Multiple Non-assurance Services Provided to the Same Audit Client

600.5 A4 A firm or network firm might provide multiple non-assurance services to an audit client. In these circumstances the consideration of the combined effect of threats created by providing those services is relevant to the firm's evaluation of threats.

### *Addressing Threats*

600.6 A1 Subsections 601 to 610 include examples of actions, including safeguards, that might address threats to independence created by providing those non-assurance services when threats are not at an acceptable level. Those examples are not exhaustive.

600.6 A2 Some of the subsections include requirements that expressly prohibit a firm or network firm from providing certain services to an audit client in certain circumstances because the threats created cannot be addressed by applying safeguards.

600.6 A3 Paragraph 120.10 A2 includes a description of safeguards. In relation to providing non-assurance services to audit clients, safeguards are actions, individually or in combination, that the firm takes that effectively reduce threats to independence to an acceptable level. In some situations, when a threat is created by providing a non-assurance service to an audit client, safeguards might not be available. In such situations, the application of the conceptual framework set out in Section 120 requires the firm to decline or end the non-assurance service or the audit engagement.

### *Prohibition on Assuming Management Responsibilities*

**R600.7** A firm or a network firm shall not assume a management responsibility for an audit client.

600.7 A1 Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.

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- 600.7 A2 Providing a non-assurance service to an audit client creates self- review and self-interest threats if the firm or network firm assumes a management responsibility when performing the service. Assuming a management responsibility also creates a familiarity threat and might create an advocacy threat because the firm or network firm becomes too closely aligned with the views and interests of management.
- 600.7 A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgment. Examples of activities that would be considered a management responsibility include:
- Setting policies and strategic direction.
  - Hiring or dismissing employees.
  - Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.
  - Authorizing transactions.
  - Controlling or managing bank accounts or investments.
  - Deciding which recommendations of the firm or network firm or other third parties to implement.
  - Reporting to those charged with governance on behalf of management.
  - Taking responsibility for:
    - The preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
    - Designing, implementing, monitoring or maintaining internal control.
- 600.7 A4 Providing advice and recommendations to assist the management of an audit client in discharging its responsibilities is not assuming a management responsibility. (Ref: Para. R600.7 to 600.7 A3).
- R600.8** To avoid assuming a management responsibility when providing any non-assurance service to an audit client, the firm shall be satisfied that client management makes all judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

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- (a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand:
  - (i) The objectives, nature and results of the services; and
  - (ii) The respective client and firm or network firm responsibilities.However, the individual is not required to possess the expertise to perform or re-perform the services.
- (b) Provides oversight of the services and evaluates the adequacy of the results of the service performed for the client's purpose.
- (c) Accepts responsibility for the actions, if any, to be taken arising from the results of the services.

### *Providing Non-Assurance Services to an Audit Client that Later Becomes a Public Interest Entity*

**R600.9** A non-assurance service provided, either currently or previously, by a firm or a network firm to an audit client compromises the firm's independence when the client becomes a public interest entity unless:

- (a) The previous non-assurance service complies with the provisions of this section that relate to audit clients that are not public interest entities;
- (b) Non-assurance services currently in progress that are not permitted under this section for audit clients that are public interest entities are ended before, or as soon as practicable after, the client becomes a public interest entity; and
- (c) The firm addresses threats that are created that are not at an acceptable level.

### *Considerations for Certain Related Entities*

**R600.10** This section includes requirements that prohibit firms and network firms from assuming management responsibilities or providing certain non-assurance services to audit clients. As an exception to those requirements, a firm or network firm may assume management responsibilities or provide certain non-assurance services that would otherwise be prohibited to the following related entities of the client on whose financial statements the firm will express an opinion:

- (a) An entity that has direct or indirect control over the client;

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- (b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity; or
- (c) An entity which is under common control with the client,  
provided that all of the following conditions are met:
  - (i) The firm or a network firm does not express an opinion on the financial statements of the related entity;
  - (ii) The firm or a network firm does not assume a management responsibility, directly or indirectly, for the entity on whose financial statements the firm will express an opinion;
  - (iii) The services do not create a self-review threat because the results of the services will not be subject to audit procedures; and
  - (iv) The firm addresses other threats created by providing such services that are not at an acceptable level.

### **SUBSECTION 601**

#### **ACCOUNTING AND BOOKKEEPING SERVICES**

##### **Introduction**

- 601.1 Providing accounting and bookkeeping services to an audit client might create a self-review threat.
- 601.2 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing an audit client with accounting and bookkeeping services. This subsection includes requirements that prohibit firms and network firms from providing certain accounting and bookkeeping services to audit clients in some circumstances because the threats created cannot be addressed by applying safeguards.

##### **Requirements and Application Material**

###### **All Audit Clients**

- 601.3 A1 Accounting and bookkeeping services comprise a broad range of services including:
- Preparing accounting records and financial statements.

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- Recording transactions.
- Payroll services.

601.3 A2 Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework. These responsibilities include:

- Determining accounting policies and the accounting treatment in accordance with those policies.
- Preparing or changing source documents or originating data, in electronic or other form, evidencing the occurrence of a transaction. Examples include:
  - Purchase orders.
  - Payroll time records.
  - Customer orders.
- Originating or changing journal entries.
- Determining or approving the account classifications of transactions.

601.3 A3 The audit process necessitates dialogue between the firm and the management of the audit client, which might involve:

- Applying accounting standards or policies and financial statement disclosure requirements.
- Assessing the appropriateness of financial and accounting control and the methods used in determining the stated amounts of assets and liabilities.
- Proposing adjusting journal entries.

These activities are considered to be a normal part of the audit process and do not usually create threats as long as the client is responsible for making decisions in the preparation of accounting records and financial statements.

601.3 A4 Similarly, the client might request technical assistance on matters such as resolving account reconciliation problems or analyzing and accumulating information for regulatory reporting. In addition, the client might request technical advice on accounting issues such as the conversion of existing

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financial statements from one financial reporting framework to another. Examples include:

- Complying with group accounting policies.
- Transitioning to a different financial reporting framework such as International Financial Reporting Standards.

Such services do not usually create threats provided neither the firm nor network firm assumes a management responsibility for the client.

### *Accounting and Bookkeeping Services that are Routine or Mechanical*

601.4 A1 Accounting and bookkeeping services that are routine or mechanical in nature require little or no professional judgment. Some examples of these services are:

- Preparing payroll calculations or reports based on client-originated data for approval and payment by the client.
- Recording recurring transactions for which amounts are easily determinable from source documents or originating data, such as a utility bill where the client has determined or approved the appropriate account classification.
- Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values.
- Posting transactions coded by the client to the general ledger.
- Posting client-approved entries to the trial balance.
- Preparing financial statements based on information in the client-approved trial balance and preparing related notes based on client-approved records.

### *Audit Clients that are Not Public Interest Entities*

**R601.5** A firm or a network firm shall not provide to an audit client that is not a public interest entity accounting and bookkeeping services including preparing financial statements on which the firm will express an opinion or financial information which forms the basis of such financial statements, unless:

- (a) The services are of a routine or mechanical nature; and

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- (b) The firm addresses any threats that are created by providing such services that are not at an acceptable level.

601.5 A1 Examples of actions that might be safeguards to address a self-review threat created when providing accounting and bookkeeping services of a routine and mechanical nature to an audit client include:

- Using professionals who are not audit team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.

### *Audit Clients that are Public Interest Entities*

**R601.6** Subject to paragraph R601.7, a firm or a network firm shall not provide to an audit client that is a public interest entity accounting and bookkeeping services including preparing financial statements on which the firm will express an opinion or financial information which forms the basis of such financial statements.

**R601.7** As an exception to paragraph R601.6, a firm or network firm may provide accounting and bookkeeping services of a routine or mechanical nature for divisions or related entities of an audit client that is a public interest entity if the personnel providing the services are not audit team members and:

- (a) The divisions or related entities for which the service is provided are collectively immaterial to the financial statements on which the firm will express an opinion; or
- (b) The service relates to matters that are collectively immaterial to the financial statements of the division or related entity.

## **SUBSECTION 602**

### **ADMINISTRATIVE SERVICES**

#### **Introduction**

602.1 Providing administrative services to an audit client does not usually create a threat.

602.2 In addition to the specific application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing administrative services.

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### **Application Material**

#### **All Audit Clients**

602.3 A1 Administrative services involve assisting clients with their routine or mechanical tasks within the normal course of operations. Such services require little to no professional judgment and are clerical in nature.

602.3 A2 Examples of administrative services include:

- Word processing services.
- Preparing administrative or statutory forms for client approval.
- Submitting such forms as instructed by the client.
- Monitoring statutory filing dates, and advising an audit client of those dates.

### **SUBSECTION 603**

#### **VALUATION SERVICES**

##### **Introduction**

603.1 Providing valuation services to an audit client might create a self-review or advocacy threat.

603.2 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing valuation services to an audit client. This subsection includes requirements that prohibit firms and network firms from providing certain valuation services to audit clients in some circumstances because the threats created cannot be addressed by applying safeguards.

##### **Requirements and Application Material**

#### **All Audit Clients**

603.3 A1 A valuation comprises the making of assumptions with regard to future developments, the application of appropriate methodologies and techniques, and the combination of both to compute a certain value, or range of values, for an asset, a liability or for a business as a whole.



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- 603.3 A2 If a firm or network firm is requested to perform a valuation to assist an audit client with its tax reporting obligations or for tax planning purposes and the results of the valuation will not have a direct effect on the financial statements, the application material set out in paragraphs 604.9 A1 to 604.9 A5, relating to such services, applies.
- 603.3 A3 Factors that are relevant in evaluating the level of self-review or advocacy threats created by providing valuation services to an audit client include:
- The use and purpose of the valuation report.
  - Whether the valuation report will be made public.
  - The extent of the client's involvement in determining and approving the valuation methodology and other significant matters of judgment.
  - The degree of subjectivity inherent in the item for valuations involving standard or established methodologies.
  - Whether the valuation will have a material effect on the financial statements.
  - The extent and clarity of the disclosures related to the valuation in the financial statements.
  - The degree of dependence on future events of a nature that might create significant volatility inherent in the amounts involved.
- 603.3 A4 Examples of actions that might be safeguards to address threats include:
- Using professionals who are not audit team members to perform the service might address self-review or advocacy threats.
  - Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.

### *Audit Clients that are Not Public Interest Entities*

- R603.4** A firm or a network firm shall not provide a valuation service to an audit client that is not a public interest entity if:
- (a) The valuation involves a significant degree of subjectivity; and
  - (b) The valuation will have a material effect on the financial statements on which the firm will express an opinion.

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603.4 A1 Certain valuations do not involve a significant degree of subjectivity. This is likely to be the case when the underlying assumptions are either established by law or regulation, or are widely accepted and when the techniques and methodologies to be used are based on generally accepted standards or prescribed by law or regulation. In such circumstances, the results of a valuation performed by two or more parties are not likely to be materially different.

### *Audit Clients that are Public Interest Entities*

**R603.5** A firm or a network firm shall not provide a valuation service to an audit client that is a public interest entity if the valuation service would have a material effect, individually or in the aggregate, on the financial statements on which the firm will express an opinion.

## **SUBSECTION 604**

### **TAX SERVICES**

#### **Introduction**

604.1 Providing tax services to an audit client might create a self-review or advocacy threat.

604.2 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing a tax service to an audit client. This subsection includes requirements that prohibit firms and network firms from providing certain tax services to audit clients in some circumstances because the threats created cannot be addressed by applying safeguards.

#### **Requirements and Application Material**

##### **All Audit Clients**

604.3 A1 Tax services comprise a broad range of services, including activities such as:

- Tax return preparation.
- Tax calculations for the purpose of preparing the accounting entries.
- Tax planning and other tax advisory services.
- Tax services involving valuations.

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- Assistance in the resolution of tax disputes.

While this subsection deals with each type of tax service listed above under separate headings, in practice, the activities involved in providing tax services are often inter-related.

604.3 A2 Factors that are relevant in evaluating the level of threats created by providing any tax service to an audit client include:

- The particular characteristics of the engagement.
- The level of tax expertise of the client's employees.
- The system by which the tax authorities assess and administer the tax in question and the role of the firm or network firm in that process.
- The complexity of the relevant tax regime and the degree of judgment necessary in applying it.

### **Tax Return Preparation**

#### *All Audit Clients*

604.4 A1 Providing tax return preparation services does not usually create a threat.

604.4 A2 Tax return preparation services involve:

- Assisting clients with their tax reporting obligations by drafting and compiling information, including the amount of tax due (usually on standardized forms) required to be submitted to the applicable tax authorities.
- Advising on the tax return treatment of past transactions and responding on behalf of the audit client to the tax authorities' requests for additional information and analysis (for example, providing explanations of and technical support for the approach being taken).

604.4 A3 Tax return preparation services are usually based on historical information and principally involve analysis and presentation of such historical information under existing tax law, including precedents and established practice. Further, the tax returns are subject to whatever review or approval process the tax authority considers appropriate.

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### **Tax Calculations for the Purpose of Preparing Accounting Entries**

#### *All Audit Clients*

- 604.5 A1 Preparing calculations of current and deferred tax liabilities (or assets) for an audit client for the purpose of preparing accounting entries that will be subsequently audited by the firm creates a self-review threat.
- 604.5 A2 In addition to the factors in paragraph 604.3 A2, a factor that is relevant in evaluating the level of the threat created when preparing such calculations for an audit client is whether the calculation might have a material effect on the financial statements on which the firm will express an opinion.

#### Audit Clients that are Not Public Interest Entities

- 604.5 A3 Examples of actions that might be safeguards to address such a self-review threat when the audit client is not a public interest entity include:
- Using professionals who are not audit team members to perform the service.
  - Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.

#### Audit Clients that are Public Interest Entities

- R604.6** A firm or a network firm shall not prepare tax calculations of current and deferred tax liabilities (or assets) for an audit client that is a public interest entity for the purpose of preparing accounting entries that are material to the financial statements on which the firm will express an opinion.
- 604.6 A1 The examples of actions that might be safeguards in paragraph 604.5 A3 to address self-review threats are also applicable when preparing tax calculations of current and deferred tax liabilities (or assets) to an audit client that is a public interest entity that are immaterial to the financial statements on which the firm will express an opinion.

### **Tax Planning and Other Tax Advisory Services**

#### *All Audit Clients*

- 604.7 A1 Providing tax planning and other tax advisory services might create a self-review or advocacy threat.
- 604.7 A2 Tax planning or other tax advisory services comprise a broad range of services, such as advising the client how to structure its affairs in a tax efficient manner or advising on the application of a new tax law or regulation.

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604.7 A3 In addition to paragraph 604.3 A2, factors that are relevant in evaluating the level of self-review or advocacy threats created by providing tax planning and other tax advisory services to audit clients include:

- The degree of subjectivity involved in determining the appropriate treatment for the tax advice in the financial statements.
- Whether the tax treatment is supported by a private ruling or has otherwise been cleared by the tax authority before the preparation of the financial statements.

For example, whether the advice provided as a result of the tax planning and other tax advisory services:

- Is clearly supported by a tax authority or other precedent.
- Is an established practice.
- Has a basis in tax law that is likely to prevail.
- The extent to which the outcome of the tax advice will have a material effect on the financial statements.
- Whether the effectiveness of the tax advice depends on the accounting treatment or presentation in the financial statements and there is doubt as to the appropriateness of the accounting treatment or presentation under the relevant financial reporting framework.

604.7 A4 Examples of actions that might be safeguards to address such threats include:

- Using professionals who are not audit team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer, who was not involved in providing the service review the audit work or service performed might address a self-review threat.
- Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.

When Effectiveness of Tax Advice Is Dependent on a Particular Accounting Treatment or Presentation

**R604.8** A firm or a network firm shall not provide tax planning and other tax advisory services to an audit client when the effectiveness of the tax advice depends on a particular accounting treatment or presentation in the financial statements and:

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- (a) The audit team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and
- (b) The outcome or consequences of the tax advice will have a material effect on the financial statements on which the firm will express an opinion.

### **Tax Services Involving Valuations**

#### *All Audit Clients*

604.9 A1 Providing tax valuation services to an audit client might create a self-review or advocacy threat.

604.9 A2 A firm or a network firm might perform a valuation for tax purposes only, where the result of the valuation will not have a direct effect on the financial statements (that is, the financial statements are only affected through accounting entries related to tax). This would not usually create threats if the effect on the financial statements is immaterial or the valuation is subject to external review by a tax authority or similar regulatory authority.

604.9 A3 If the valuation that is performed for tax purposes is not subject to an external review and the effect is material to the financial statements, in addition to paragraph 604.3 A2, the following factors are relevant in evaluating the level of self-review or advocacy threats created by providing those services to an audit client:

- The extent to which the valuation methodology is supported by tax law or regulation, other precedent or established practice.
- The degree of subjectivity inherent in the valuation.
- The reliability and extent of the underlying data.

604.9 A4 Examples of actions that might be safeguards to address threats include:

- Using professionals who are not audit team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.
- Obtaining pre-clearance from the tax authorities might address self-review or advocacy threats.

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604.9 A5 A firm or network firm might also perform a tax valuation to assist an audit client with its tax reporting obligations or for tax planning purposes where the result of the valuation will have a direct effect on the financial statements. In such situations, the requirements and application material set out in Subsection 603 relating to valuation services apply.

### **Assistance in the Resolution of Tax Disputes**

#### *All Audit Clients*

604.10 A1 Providing assistance in the resolution of tax disputes to an audit client might create a self-review or advocacy threat.

604.10 A2 A tax dispute might reach a point when the tax authorities have notified an audit client that arguments on a particular issue have been rejected and either the tax authority or the client refers the matter for determination in a formal proceeding, for example, before a public tribunal or court.

604.10 A3 In addition to paragraph 604.3 A2, factors that are relevant in evaluating the level of self-review or advocacy threats created by assisting an audit client in the resolution of tax disputes include:

- The role management plays in the resolution of the dispute.
- The extent to which the outcome of the dispute will have a material effect on the financial statements on which the firm will express an opinion.
- Whether the advice that was provided is the subject of the tax dispute.
- The extent to which the matter is supported by tax law or regulation, other precedent, or established practice.
- Whether the proceedings are conducted in public.

604.10 A4 Examples of actions that might be safeguards to address threats include:

- Using professionals who are not audit team members to perform the service might address self-review or advocacy threats.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed might address a self-review threat.

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### Resolution of Tax Matters Involving Acting as an Advocate

**R604.11** A firm or a network firm shall not provide tax services that involve assisting in the resolution of tax disputes to an audit client if:

- (a) The services involve acting as an advocate for the audit client before a public tribunal or court in the resolution of a tax matter; and
- (b) The amounts involved are material to the financial statements on which the firm will express an opinion.

604.11 A1 Paragraph R604.11 does not preclude a firm or network firm from having a continuing advisory role in relation to the matter that is being heard before a public tribunal or court, for example:

- Responding to specific requests for information.
- Providing factual accounts or testimony about the work performed.
- Assisting the client in analyzing the tax issues related to the matter.

604.11 A2 What constitutes a “public tribunal or court” depends on how tax proceedings are heard in the particular jurisdiction.

## SUBSECTION 605

### INTERNAL AUDIT SERVICES

#### Introduction

605.1 Providing internal audit services to an audit client might create a self- review threat.

605.2 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing an internal audit service to an audit client. This subsection includes requirements that prohibit firms and network firms from providing certain internal audit services to audit clients in some circumstances because the threats created cannot be addressed by applying safeguards.



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### Requirements and Application Material

#### All Audit Clients

605.3 A1 Internal audit services involve assisting the audit client in the performance of its internal audit activities. Internal audit activities might include:

- Monitoring of internal control – reviewing controls, monitoring their operation and recommending improvements to them.
- Examining financial and operating information by:
  - Reviewing the means used to identify, measure, classify and report financial and operating information.
  - Inquiring specifically into individual items including detailed testing of transactions, balances and procedures.
- Reviewing the economy, efficiency and effectiveness of operating activities including non-financial activities of an entity.
- Reviewing compliance with:
  - Laws, regulations and other external requirements.
  - Management policies, directives and other internal requirements.

605.3 A2 The scope and objectives of internal audit activities vary widely and depend on the size and structure of the entity and the requirements of management and those charged with governance.

**R605.4** When providing an internal audit service to an audit client, the firm shall be satisfied that:

- (a) The client designates an appropriate and competent resource, preferably within senior management, to:
  - (i) Be responsible at all times for internal audit activities; and
  - (ii) Acknowledge responsibility for designing, implementing, monitoring and maintaining internal control.
- (b) The client's management or those charged with governance reviews, assesses and approves the scope, risk and frequency of the internal audit services;

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- (c) The client's management evaluates the adequacy of the internal audit services and the findings resulting from their performance;
- (d) The client's management evaluates and determines which recommendations resulting from internal audit services to implement and manages the implementation process; and
- (e) The client's management reports to those charged with governance the significant findings and recommendations resulting from the internal audit services.

605.4 A1 Paragraph R600.7 precludes a firm or a network firm from assuming a management responsibility. Performing a significant part of the client's internal audit activities increases the possibility that firm or network firm personnel providing internal audit services will assume a management responsibility.

605.4 A2 Examples of internal audit services that involve assuming management responsibilities include:

- Setting internal audit policies or the strategic direction of internal audit activities.
- Directing and taking responsibility for the actions of the entity's internal audit employees.
- Deciding which recommendations resulting from internal audit activities to implement.
- Reporting the results of the internal audit activities to those charged with governance on behalf of management.
- Performing procedures that form part of the internal control, such as reviewing and approving changes to employee data access privileges.
- Taking responsibility for designing, implementing, monitoring and maintaining internal control.
- Performing outsourced internal audit services, comprising all or a substantial portion of the internal audit function, where the firm or network firm is responsible for determining the scope of the internal audit work; and might have responsibility for one or more of the matters noted above.

605.4 A3 When a firm uses the work of an internal audit function in an audit engagement, ISAs require the performance of procedures to evaluate the adequacy of that work. Similarly, when a firm or network firm accepts an

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engagement to provide internal audit services to an audit client, the results of those services might be used in conducting the external audit. This creates a self-review threat because it is possible that the audit team will use the results of the internal audit service for purposes of the audit engagement without:

- (a) Appropriately evaluating those results; or
- (b) Exercising the same level of professional skepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm.

605.4 A4 Factors that are relevant in evaluating the level of such a self-review threat include:

- The materiality of the related financial statement amounts.
- The risk of misstatement of the assertions related to those financial statement amounts.
- The degree of reliance that the audit team will place on the work of the internal audit service, including in the course of an external audit.

605.4 A5 An example of an action that might be a safeguard to address such a self-review threat is using professionals who are not audit team members to perform the service.

### *Audit Clients that are Public Interest Entities*

**R605.5** A firm or a network firm shall not provide internal audit services to an audit client that is a public interest entity, if the services relate to:

- (a) A significant part of the internal controls over financial reporting;
- (b) Financial accounting systems that generate information that is, individually or in the aggregate, material to the client's accounting records or financial statements on which the firm will express an opinion; or
- (c) Amounts or disclosures that are, individually or in the aggregate, material to the financial statements on which the firm will express an opinion.

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**SUBSECTION 606**

**INFORMATION TECHNOLOGY SYSTEMS SERVICES**

**Introduction**

606.1 Providing information technology (IT) systems services to an audit client might create a self-review threat.

606.2 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing an IT systems service to an audit client. This subsection includes requirements that prohibit firms and network firms from providing certain IT systems services to audit clients in some circumstances because the threats created cannot be addressed by applying safeguards.

**Requirements and Application Material**

**All Audit Clients**

606.3 A1 Services related to IT systems include the design or implementation of hardware or software systems. The IT systems might:

- (a) Aggregate source data;
- (b) Form part of the internal control over financial reporting; or
- (c) Generate information that affects the accounting records or financial statements, including related disclosures.

However, the IT systems might also involve matters that are unrelated to the audit client's accounting records or the internal control over financial reporting or financial statements.

606.3 A2 Paragraph R600.7 precludes a firm or a network firm from assuming a management responsibility. Providing the following IT systems services to an audit client does not usually create a threat as long as personnel of the firm or network firm do not assume a management responsibility:

- (a) Designing or implementing IT systems that are unrelated to internal control over financial reporting;
- (b) Designing or implementing IT systems that do not generate information forming a significant part of the accounting records or financial statements;

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- (c) Implementing “off-the-shelf” accounting or financial information reporting software that was not developed by the firm or network firm, if the customization required to meet the client’s needs is not significant; and
- (d) Evaluating and making recommendations with respect to an IT system designed, implemented or operated by another service provider or the client.

**R606.4** When providing IT systems services to an audit client, the firm or network firm shall be satisfied that:

- (a) The client acknowledges its responsibility for establishing and monitoring a system of internal controls;
- (b) The client assigns the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system to a competent employee, preferably within senior management;
- (c) The client makes all management decisions with respect to the design and implementation process;
- (d) The client evaluates the adequacy and results of the design and implementation of the system; and
- (e) The client is responsible for operating the system (hardware or software) and for the data it uses or generates.

606.4 A1 Factors that are relevant in evaluating the level of a self-review threat created by providing IT systems services to an audit client include:

- The nature of the service.
- The nature of IT systems and the extent to which they impact or interact with the client’s accounting records or financial statements.
- The degree of reliance that will be placed on the particular IT systems as part of the audit.

606.4 A2 An example of an action that might be a safeguard to address such a self-review threat is using professionals who are not audit team members to perform the service.

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### *Audit Clients that are Public Interest Entities*

**R606.5** A firm or a network firm shall not provide IT systems services to an audit client that is a public interest entity if the services involve designing or implementing IT systems that:

- (a) Form a significant part of the internal control over financial reporting; or
- (b) Generate information that is significant to the client's accounting records or financial statements on which the firm will express an opinion.

## **SUBSECTION 607**

### **LITIGATION SUPPORT SERVICES**

#### **Introduction**

607.1 Providing certain litigation support services to an audit client might create a self-review or advocacy threat.

607.2 In addition to the specific application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing a litigation support service to an audit client.

#### **Application Material**

##### **All Audit Clients**

607.3 A1 Litigation support services might include activities such as:

- Assisting with document management and retrieval.
- Acting as a witness, including an expert witness.
- Calculating estimated damages or other amounts that might become receivable or payable as the result of litigation or other legal dispute.

607.3 A2 Factors that are relevant in evaluating the level of self-review or advocacy threats created by providing litigation support services to an audit client include:

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- The legal and regulatory environment in which the service is provided, for example, whether an expert witness is chosen and appointed by a court.
- The nature and characteristics of the service.
- The extent to which the outcome of the litigation support service will have a material effect on the financial statements on which the firm will express an opinion.

607.3 A3 An example of an action that might be a safeguard to address such a self-review or advocacy threat is using a professional who was not an audit team member to perform the service.

607.3 A4 If a firm or a network firm provides a litigation support service to an audit client and the service involves estimating damages or other amounts that affect the financial statements on which the firm will express an opinion, the requirements and application material set out in Subsection 603 related to valuation services apply.

### **SUBSECTION 608**

#### **LEGAL SERVICES**

##### **Introduction**

608.1 Providing legal services to an audit client might create a self-review or advocacy threat.

608.2 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing a legal service to an audit client. This subsection includes requirements that prohibit firms and network firms from providing certain legal services to audit clients in some circumstances because the threats cannot be addressed by applying safeguards.

##### **Requirements and Application Material**

###### **All Audit Clients**

608.3 A1 Legal services are defined as any services for which the individual providing the services must either:

- (a) Have the required legal training to practice law; or

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- (b) Be admitted to practice law before the courts of the jurisdiction in which such services are to be provided.

### *Acting in an Advisory Role*

608.4 A1 Depending on the jurisdiction, legal advisory services might include a wide and diversified range of service areas including both corporate and commercial services to audit clients, such as:

- Contract support.
- Supporting an audit client in executing a transaction.
- Mergers and acquisitions.
- Supporting and assisting an audit client's internal legal department.
- Legal due diligence and restructuring.

608.4 A2 Factors that are relevant in evaluating the level of self-review or advocacy threats created by providing legal advisory services to an audit client include:

- The materiality of the specific matter in relation to the client's financial statements.
- The complexity of the legal matter and the degree of judgment necessary to provide the service.

608.4 A3 Examples of actions that might be safeguards to address threats include:

- Using professionals who are not audit team members to perform the service might address a self-review or advocacy threat.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed might address a self-review threat.

### *Acting as General Counsel*

**R608.5** A partner or employee of the firm or the network firm shall not serve as General Counsel for legal affairs of an audit client.

608.5 A1 The position of General Counsel is usually a senior management position with broad responsibility for the legal affairs of a company.



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### *Acting in an Advocacy Role*

**R608.6** A firm or a network firm shall not act in an advocacy role for an audit client in resolving a dispute or litigation when the amounts involved are material to the financial statements on which the firm will express an opinion.

608.6 A1 Examples of actions that might be safeguards to address a self-review threat created when acting in an advocacy role for an audit client when the amounts involved are not material to the financial statements on which the firm will express an opinion include:

- Using professionals who are not audit team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or the service performed.

## **SUBSECTION 609**

### **RECRUITING SERVICES**

#### **Introduction**

609.1 Providing recruiting services to an audit client might create a self-interest, familiarity or intimidation threat.

609.2 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing a recruiting service to an audit client. This subsection includes requirements that prohibit firms and network firms from providing certain types of recruiting services to audit clients in some circumstances because the threats created cannot be addressed by applying safeguards.

#### **Requirements and Application Material**

##### **All Audit Clients**

609.3 A1 Recruiting services might include activities such as:

- Developing a job description.
- Developing a process for identifying and selecting potential candidates.
- Searching for or seeking out candidates.

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- Screening potential candidates for the role by:
  - Reviewing the professional qualifications or competence of applicants and determining their suitability for the position.
  - Undertaking reference checks of prospective candidates.
  - Interviewing and selecting suitable candidates and advising on candidates' competence.
- Determining employment terms and negotiating details, such as salary, hours and other compensation.

609.3 A2 Paragraph R600.7 precludes a firm or a network firm from assuming a management responsibility. Providing the following services does not usually create a threat as long as personnel of the firm or network firm does not assume a management responsibility:

- Reviewing the professional qualifications of a number of applicants and providing advice on their suitability for the position.
- Interviewing candidates and advising on a candidate's competence for financial accounting, administrative or control positions.

**R609.4** When a firm or network firm provides recruiting services to an audit client, the firm shall be satisfied that:

- (a) The client assigns the responsibility to make all management decisions with respect to hiring the candidate for the position to a competent employee, preferably within senior management; and
- (b) The client makes all management decisions with respect to the hiring process, including:
  - Determining the suitability of prospective candidates and selecting suitable candidates for the position.
  - Determining employment terms and negotiating details, such as salary, hours and other compensation.

609.5 A1 Factors that are relevant in evaluating the level of self-interest, familiarity or intimidation threats created by providing recruiting services to an audit client include:

- The nature of the requested assistance.
- The role of the individual to be recruited.

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- Any conflicts of interest or relationships that might exist between the candidates and the firm providing the advice or service.

609.5 A2 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is using professionals who are not audit team members to perform the service.

### *Recruiting Services that are Prohibited*

**R609.6** When providing recruiting services to an audit client, the firm or the network firm shall not act as a negotiator on the client's behalf.

**R609.7** A firm or a network firm shall not provide a recruiting service to an audit client if the service relates to:

- (a) Searching for or seeking out candidates; or
- (b) Undertaking reference checks of prospective candidates, with respect to the following positions:
  - (i) A director or officer of the entity; or
  - (ii) A member of senior management in a position to exert significant influence over the preparation of the client's accounting records or the financial statements on which the firm will express an opinion.

## SUBSECTION 610

### CORPORATE FINANCE SERVICES

#### Introduction

610.1 Providing corporate finance services to an audit client might create a self-review or advocacy threat.

610.2 In addition to the specific requirements and application material in this subsection, the requirements and application material in paragraphs 600.1 to R600.10 are relevant to applying the conceptual framework when providing a corporate finance service to an audit client. This subsection includes requirements that prohibit firms and network firms from providing certain corporate finance services in some circumstances to audit clients because the threats created cannot be addressed by applying safeguards.

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### Requirements and Application Material

#### All Audit Clients

610.3 A1 Examples of corporate finance services that might create a self-review or advocacy threat include:

- Assisting an audit client in developing corporate strategies.
- Identifying possible targets for the audit client to acquire.
- Advising on disposal transactions.
- Assisting in finance raising transactions.
- Providing structuring advice.
- Providing advice on the structuring of a corporate finance transaction or on financing arrangements that will directly affect amounts that will be reported in the financial statements on which the firm will express an opinion.

610.3 A2 Factors that are relevant in evaluating the level of such threats created by providing corporate finance services to an audit client include:

- The degree of subjectivity involved in determining the appropriate treatment for the outcome or consequences of the corporate finance advice in the financial statements.
- The extent to which:
  - The outcome of the corporate finance advice will directly affect amounts recorded in the financial statements.
  - The amounts are material to the financial statements.
- Whether the effectiveness of the corporate finance advice depends on a particular accounting treatment or presentation in the financial statements and there is doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework.

610.3 A3 Examples of actions that might be safeguards to address threats include:

- Using professionals who are not audit team members to perform the service might address self-review or advocacy threats.

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- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed might address a self-review threat.

*Corporate Finance Services that are Prohibited*

**R610.4** A firm or a network firm shall not provide corporate finance services to an audit client that involve promoting, dealing in, or underwriting the audit client's shares.

**R610.5** A firm or a network firm shall not provide corporate finance advice to an audit client where the effectiveness of such advice depends on a particular accounting treatment or presentation in the financial statements on which the firm will express an opinion and:

- (a) The audit team has reasonable doubt as to the appropriateness of the related accounting treatment or presentation under the relevant financial reporting framework; and
- (b) The outcome or consequences of the corporate finance advice will have a material effect on the financial statements on which the firm will express an opinion.

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**SECTION 800**

**REPORTS ON SPECIAL PURPOSE FINANCIAL STATEMENTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (AUDIT AND REVIEW ENGAGEMENTS)**

**Introduction**

800.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

800.2 This section sets out certain modifications to Part 4A which are permitted in certain circumstances involving audits of special purpose financial statements where the report includes a restriction on use and distribution. In this section, an engagement to issue a restricted use and distribution report in the circumstances set out in paragraph R800.3 is referred to as an “eligible audit engagement.”

**Requirements and Application Material**

**General**

**R800.3** When a firm intends to issue a report on an audit of special purpose financial statements which includes a restriction on use and distribution, the independence requirements set out in Part 4A shall be eligible for the modifications that are permitted by this section, but only if:

- (a) The firm communicates with the intended users of the report regarding the modified independence requirements that are to be applied in providing the service; and
- (b) The intended users of the report understand the purpose and limitations of the report and explicitly agree to the application of the modifications.

800.3 A1 The intended users of the report might obtain an understanding of the purpose and limitations of the report by participating, either directly, or indirectly through a representative who has authority to act for the intended users, in establishing the nature and scope of the engagement. In either case, this participation helps the firm to communicate with intended users about independence matters, including the circumstances that are relevant to applying the conceptual framework. It also allows the firm to obtain the agreement of the intended users to the modified independence requirements.

**R800.4** Where the intended users are a class of users who are not specifically identifiable by name at the time the engagement terms are established, the

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firm shall subsequently make such users aware of the modified independence requirements agreed to by their representative.

**800.4 A1** For example, where the intended users are a class of users such as lenders in a syndicated loan arrangement, the firm might describe the modified independence requirements in an engagement letter to the representative of the lenders. The representative might then make the firm's engagement letter available to the members of the group of lenders to meet the requirement for the firm to make such users aware of the modified independence requirements agreed to by the representative.

**R800.5** When the firm performs an eligible audit engagement, any modifications to Part 4A shall be limited to those set out in paragraphs R800.7 to R800.14. The firm shall not apply these modifications when an audit of financial statements is required by law or regulation.

**R800.6** If the firm also issues an audit report that does not include a restriction on use and distribution for the same client, the firm shall apply Part 4A to that audit engagement.

### **Public Interest Entities**

**R800.7** When the firm performs an eligible audit engagement, the firm does not need to apply the independence requirements set out in Part 4A that apply only to public interest entity audit engagements.

### **Related Entities**

**R800.8** When the firm performs an eligible audit engagement, references to "audit client" in Part 4A do not need to include its related entities. However, when the audit team knows or has reason to believe that a relationship or circumstance involving a related entity of the client is relevant to the evaluation of the firm's independence of the client, the audit team shall include that related entity when identifying, evaluating and addressing threats to independence.

### **Networks and Network Firms**

**R800.9** When the firm performs an eligible audit engagement, the specific requirements regarding network firms set out in Part 4A do not need to be applied. However, when the firm knows or has reason to believe that threats to independence are created by any interests and relationships of a network firm, the firm shall evaluate and address any such threat.

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**Financial Interests, Loans and Guarantees, Close Business Relationships, and Family and Personal Relationships**

**R800.10** When the firm performs an eligible audit engagement:

- (a) The relevant provisions set out in Sections 510, 511, 520, 521, 522, 524 and 525 need apply only to the members of the engagement team, their immediate family members and, where applicable, close family members;
- (b) The firm shall identify, evaluate and address any threats to independence created by interests and relationships, as set out in Sections 510, 511, 520, 521, 522, 524 and 525, between the audit client and the following audit team members:
  - (i) Those who provide consultation regarding technical or industry specific issues, transactions or events; and
  - (ii) Those who provide quality control for the engagement, including those who perform the engagement quality control review; and
- (c) The firm shall evaluate and address any threats that the engagement team has reason to believe are created by interests and relationships between the audit client and others within the firm who can directly influence the outcome of the audit engagement.

800.10 A1 Others within a firm who can directly influence the outcome of the audit engagement include those who recommend the compensation, or who provide direct supervisory, management or other oversight, of the audit engagement partner in connection with the performance of the audit engagement including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent).

**R800.11** When the firm performs an eligible audit engagement, the firm shall evaluate and address any threats that the engagement team has reason to believe are created by financial interests in the audit client held by individuals, as set out in paragraphs R510.4(c) and (d), R510.5, R510.7 and 510.10 A5 and A9.

**R800.12** When the firm performs an eligible audit engagement, the firm, in applying the provisions set out in paragraphs R510.4(a), R510.6 and R510.7 to interests of the firm, shall not hold a material direct or a material indirect financial interest in the audit client.



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**Employment with an Audit Client**

**R800.13** When the firm performs an eligible audit engagement, the firm shall evaluate and address any threats created by any employment relationships as set out in paragraphs 524.3 A1 to 524.5 A3.

**Providing Non-Assurance Services**

**R800.14** If the firm performs an eligible audit engagement and provides a non-assurance service to the audit client, the firm shall comply with Sections 410 to 430 and Section 600, including its subsections, subject to paragraphs R800.7 to R800.9.

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**PART 4B - INDEPENDENCE FOR ASSURANCE ENGAGEMENTS  
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**PART 4B - INDEPENDENCE FOR ASSURANCE ENGAGEMENTS  
OTHER THAN AUDIT AND REVIEW ENGAGEMENTS**

**SECTION 900**

**APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR  
ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW  
ENGAGEMENTS**

**Introduction**

**General**

900.1 This Part applies to assurance engagements other than audit and review engagements (referred to as “assurance engagements” in this Part). Examples of such engagements include:

- An audit of specific elements, accounts or items of a financial statement.
- Performance assurance on a company’s key performance indicators.

900.2 In this Part, the term “chartered accountant” refers to individual chartered accountants in practice and their firms.

900.3 ISQC 1 requires a firm to establish policies and procedures designed to provide it with reasonable assurance that the firm, its personnel and, where applicable, others subject to independence requirements maintain independence where required by relevant ethics standards. ISAEs establish responsibilities for engagement partners and engagement teams at the level of the engagement. The allocation of responsibilities within a firm will depend on its size, structure and organization. Many of the provisions of Part 4B do not prescribe the specific responsibility of individuals within the firm for actions related to independence, instead referring to “firm” for ease of reference. Firms assign responsibility for a particular action to an individual or a group of individuals (such as an assurance team) in accordance with ISQC 1. In addition, an individual chartered accountant remains responsible for compliance with any provisions that apply to that accountant’s activities, interests or relationships.

900.4 Independence is linked to the principles of objectivity and integrity. It comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual

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to act with integrity, and exercise objectivity and professional skepticism.

- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm’s or an assurance team member’s integrity, objectivity or professional skepticism has been compromised.

In this Part, references to an individual or firm being “independent” mean that the individual or firm has complied with the provisions of this Part.

900.5 When performing assurance engagements, the Code requires firms to comply with the fundamental principles and be independent. This Part sets out specific requirements and application material on how to apply the conceptual framework to maintain independence when performing such engagements. The conceptual framework set out in Section 120 applies to independence as it does to the fundamental principles set out in Section 110.

900.6 This Part describes:

- (a) Facts and circumstances, including professional activities, interests and relationships, that create or might create threats to independence;
- (b) Potential actions, including safeguards, that might be appropriate to address any such threats; and
- (c) Some situations where the threats cannot be eliminated or there can be no safeguards to reduce the threats to an acceptable level.

### **Description of Other Assurance Engagements**

900.7 Assurance engagements are designed to enhance intended users’ degree of confidence about the outcome of the evaluation or measurement of a subject matter against criteria. In an assurance engagement, the firm expresses a conclusion designed to enhance the degree of confidence of the intended users (other than the responsible party) about the outcome of the evaluation or measurement of a subject matter against criteria. The Assurance Framework describes the elements and objectives of an assurance engagement and identifies engagements to which ISAEs apply. For a description of the elements and objectives of an assurance engagement, refer to the Assurance Framework.

900.8 The outcome of the evaluation or measurement of a subject matter is the information that results from applying the criteria to the subject matter. The term “subject matter information” is used to mean the outcome of the evaluation or measurement of a subject matter. For example, the Assurance

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Framework states that an assertion about the effectiveness of internal control (subject matter information) results from applying a framework for evaluating the effectiveness of internal control, such as COSO or CoCo (criteria), to internal control, a process (subject matter).

- 900.9 Assurance engagements might be assertion-based or direct reporting. In either case, they involve three separate parties: a firm, a responsible party and intended users.
- 900.10 In an assertion-based assurance engagement, the evaluation or measurement of the subject matter is performed by the responsible party. The subject matter information is in the form of an assertion by the responsible party that is made available to the intended users.
- 900.11 In a direct reporting assurance engagement, the firm:
- (a) Directly performs the evaluation or measurement of the subject matter; or
  - (b) Obtains a representation from the responsible party that has performed the evaluation or measurement that is not available to the intended users. The subject matter information is provided to the intended users in the assurance report.

### **Reports that Include a Restriction on Use and Distribution**

- 900.12 An assurance report might include a restriction on use and distribution. If it does and the conditions set out in Section 990 are met, then the independence requirements in this Part may be modified as provided in Section 990.

### **Audit and Review Engagements**

- 900.13 Independence standards for audit and review engagements are set out in Part 4A – *Independence for Audit and Review Engagements*. If a firm performs both an assurance engagement and an audit or review engagement for the same client, the requirements in Part 4A continue to apply to the firm, a network firm and the audit or review team members.

### **Requirements and Application Material**

#### **General**

- R900.14** A firm performing an assurance engagement shall be independent.
- R900.15** A firm shall apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence in relation to an assurance engagement.

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### Network firms

**R900.16** When a firm has reason to believe that interests and relationships of a network firm create a threat to the firm's independence, the firm shall evaluate and address any such threat.

900.16 A1 Network firms are discussed in paragraphs 400.50 A1 to 400.54 A1.

### Related Entities

**R900.17** When the assurance team knows or has reason to believe that a relationship or circumstance involving a related entity of the assurance client is relevant to the evaluation of the firm's independence from the client, the assurance team shall include that related entity when identifying, evaluating and addressing threats to independence.

### Types of Assurance Engagements

#### *Assertion-based Assurance Engagements*

**R900.18** When performing an assertion-based assurance engagement:

- (a) The assurance team members and the firm shall be independent of the assurance client (the party responsible for the subject matter information, and which might be responsible for the subject matter) as set out in this Part. The independence requirements set out in this Part prohibit certain relationships between assurance team members and (i) directors or officers, and (ii) individuals at the client in a position to exert significant influence over the subject matter information;
- (b) The firm shall apply the conceptual framework set out in Section 120 to relationships with individuals at the client in a position to exert significant influence over the subject matter of the engagement; and
- (c) The firm shall evaluate and address any threats that the firm has reason to believe are created by network firm interests and relationships.

**R900.19** When performing an assertion-based assurance engagement where the responsible party is responsible for the subject matter information but not the subject matter:

- (a) The assurance team members and the firm shall be independent of the party responsible for the subject matter information (the assurance client); and

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- (b) The firm shall evaluate and address any threats the firm has reason to believe are created by interests and relationships between an assurance team member, the firm, a network firm and the party responsible for the subject matter.

900.19 A1 In the majority of assertion-based assurance engagements, the responsible party is responsible for both the subject matter information and the subject matter. However, in some engagements, the responsible party might not be responsible for the subject matter. An example might be when a firm is engaged to perform an assurance engagement regarding a report that an environmental consultant has prepared about a company's sustainability practices for distribution to intended users. In this case, the environmental consultant is the responsible party for the subject matter information but the company is responsible for the subject matter (the sustainability practices).

### *Direct Reporting Assurance Engagements*

**R900.20** When performing a direct reporting assurance engagement:

- (a) The assurance team members and the firm shall be independent of the assurance client (the party responsible for the subject matter); and
- (b) The firm shall evaluate and address any threats to independence the firm has reason to believe are created by network firm interests and relationships.

### *Multiple Responsible Parties*

900.21 A1 In some assurance engagements, whether assertion-based or direct reporting, there might be several responsible parties. In determining whether it is necessary to apply the provisions in this Part to each responsible party in such engagements, the firm may take into account certain matters. These matters include whether an interest or relationship between the firm, or an assurance team member, and a particular responsible party would create a threat to independence that is not trivial and inconsequential in the context of the subject matter information. This determination will take into account factors such as:

- (a) The materiality of the subject matter information (or of the subject matter) for which the particular responsible party is responsible.
- (b) The degree of public interest associated with the engagement.

If the firm determines that the threat created by any such interest or relationship with a particular responsible party would be trivial and inconsequential, it might not be necessary to apply all of the provisions of this section to that responsible party.

**[Paragraphs 900.22 to 900.29 are intentionally left blank]**

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**Period During which Independence is Required**

**R900.30** Independence, as required by this Part, shall be maintained during both:

- (a) The engagement period; and
- (b) The period covered by the subject matter information.

900.30 A1 The engagement period starts when the assurance team begins to perform assurance services with respect to the particular engagement. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.

**R900.31** If an entity becomes an assurance client during or after the period covered by the subject matter information on which the firm will express a conclusion, the firm shall determine whether any threats to independence are created by:

- (a) Financial or business relationships with the assurance client during or after the period covered by the subject matter information but before accepting the assurance engagement; or
- (b) Previous services provided to the assurance client.

**R900.32** Threats to independence are created if a non-assurance service was provided to the assurance client during, or after the period covered by the subject matter information, but before the assurance team begins to perform assurance services, and the service would not be permitted during the engagement period. In such circumstances, the firm shall evaluate and address any threat to independence created by the service. If the threats are not at an acceptable level, the firm shall only accept the assurance engagement if the threats are reduced to an acceptable level.

900.32 A1 Examples of actions that might be safeguards to address such threats include:

- Using professionals who are not assurance team members to perform the service.
- Having an appropriate reviewer review the assurance and non-assurance work as appropriate.

**R900.33** If a non-assurance service that would not be permitted during the engagement period has not been completed and it is not practical to complete or end the service before the commencement of professional services in connection with the assurance engagement, the firm shall only accept the assurance engagement if:



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- (a) The firm is satisfied that:
  - (i) The non-assurance service will be completed within a short period of time; or
  - (ii) The client has arrangements in place to transition the service to another provider within a short period of time;
- (b) The firm applies safeguards when necessary during the service period; and
- (c) The firm discusses the matter with those charged with governance.

**[Paragraphs 900.34 to 900.39 are intentionally left blank]**

**General Documentation of Independence for Assurance Engagements Other than Audit and Review Engagements**

**R900.40** A firm shall document conclusions regarding compliance with this Part, and the substance of any relevant discussions that support those conclusions. In particular:

- (a) When safeguards are applied to address a threat, the firm shall document the nature of the threat and the safeguards in place or applied; and
- (b) When a threat required significant analysis and the firm concluded that the threat was already at an acceptable level, the firm shall document the nature of the threat and the rationale for the conclusion.

900.40 A1 Documentation provides evidence of the firm's judgments in forming conclusions regarding compliance with this Part. However, a lack of documentation does not determine whether a firm considered a particular matter or whether the firm is independent.

**[Paragraphs 900.41 to 900.49 are intentionally left blank]**

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**Breach of an Independence Provision for Assurance Engagements Other than Audit and Review Engagements**

*When a Firm Identifies a Breach*

**R900.50** If a firm concludes that a breach of a requirement in this Part has occurred, the firm shall:

- (a) End, suspend or eliminate the interest or relationship that created the breach;
- (b) Evaluate the significance of the breach and its impact on the firm's objectivity and ability to issue an assurance report; and
- (c) Determine whether action can be taken that satisfactorily addresses the consequences of the breach.

In making this determination, the firm shall exercise professional judgment and take into account whether a reasonable and informed third party would be likely to conclude that the firm's objectivity would be compromised, and therefore, the firm would be unable to issue an assurance report.

**R900.51** If the firm determines that action cannot be taken to address the consequences of the breach satisfactorily, the firm shall, as soon as possible, inform the party that engaged the firm or those charged with governance, as appropriate. The firm shall also take the steps necessary to end the assurance engagement in compliance with any applicable legal or regulatory requirements relevant to ending the assurance engagement.

**R900.52** If the firm determines that action can be taken to address the consequences of the breach satisfactorily, the firm shall discuss the breach and the action it has taken or proposes to take with the party that engaged the firm or those charged with governance, as appropriate. The firm shall discuss the breach and the proposed action on a timely basis, taking into account the circumstances of the engagement and the breach.

**R900.53** If the party that engaged the firm does not, or those charged with governance do not concur that the action proposed by the firm in accordance with paragraph R900.50(c) satisfactorily addresses the consequences of the breach, the firm shall take the steps necessary to end the assurance engagement in compliance with any applicable legal or regulatory requirements relevant to ending the assurance engagement.

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*Documentation*

**R900.54** In complying with the requirements in paragraphs R900.50 to R900.53, the firm shall document:

- (a) The breach;
- (b) The actions taken;
- (c) The key decisions made; and
- (d) All the matters discussed with the party that engaged the firm or those charged with governance.

**R900.55** If the firm continues with the assurance engagement, it shall document:

- (a) The conclusion that, in the firm's professional judgment, objectivity has not been compromised; and
- (b) The rationale for why the action taken satisfactorily addressed the consequences of the breach so that the firm could issue an assurance report.

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### SECTION 905

#### FEES

##### Introduction

905.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

905.2 The nature and level of fees or other types of remuneration might create a self-interest or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### Fees—Relative Size

905.3 A1 When the total fees generated from an assurance client by the firm expressing the conclusion in an assurance engagement represent a large proportion of the total fees of that firm, the dependence on that client and concern about losing the client create a self-interest or intimidation threat.

905.3 A2 Factors that are relevant in evaluating the level of such threats include:

- The operating structure of the firm.
- Whether the firm is well established or new.
- The significance of the client qualitatively and/or quantitatively to the firm.

905.3 A3 An example of an action that might be a safeguard to address such a self-interest or intimidation threat is increasing the client base in the firm to reduce dependence on the assurance client.

905.3 A4 A self-interest or intimidation threat is also created when the fees generated by the firm from an assurance client represent a large proportion of the revenue from an individual partner's clients.

905.3 A5 Examples of actions that might be safeguards to address such a self-interest or intimidation threat include:

- Increasing the client base of the partner to reduce dependence on the assurance client.

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- Having an appropriate reviewer who was not an assurance team member review the work.

### **Fees—Overdue**

905.4 A1 A self-interest threat might be created if a significant part of fees is not paid before the assurance report, if any, for the following period is issued. It is generally expected that the firm will require payment of such fees before any such report is issued. The requirements and application material set out in Section 911 with respect to loans and guarantees might also apply to situations where such unpaid fees exist.

905.4 A2 Examples of actions that might be safeguards to address such a self-interest threat include:

- Obtaining partial payment of overdue fees.
- Having an appropriate reviewer who did not take part in the assurance engagement review the work performed.

**R905.5** When a significant part of fees due from an assurance client remains unpaid for a long time, the firm shall determine:

- (a) Whether the overdue fees might be equivalent to a loan to the client; and
- (b) Whether it is appropriate for the firm to be re-appointed or continue the assurance engagement.

### **Contingent Fees**

905.6 A1 Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed. A contingent fee charged through an intermediary is an example of an indirect contingent fee. In this section, a fee is not regarded as being contingent if established by a court or other public authority.

**R905.7** A firm shall not charge directly or indirectly a contingent fee for an assurance engagement.

**R905.8** A firm shall not charge directly or indirectly a contingent fee for a non-assurance service provided to an assurance client if the outcome of the non-assurance service, and therefore, the amount of the fee, is dependent on a future or contemporary judgment related to a matter that is material to the subject matter information of the assurance engagement.

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**SECTION 906**

**GIFTS AND HOSPITALITY**

**Introduction**

- 906.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 906.2 Accepting gifts and hospitality from an assurance client might create a self-interest, familiarity or intimidation threat. This section sets out a specific requirement and application material relevant to applying the conceptual framework in such circumstances.

**Requirement and Application Material**

- R906.3** A firm or an assurance team member shall not accept gifts and hospitality from an assurance client, unless the value is trivial and inconsequential.
- 906.3 A1 Where a firm or assurance team member is offering or accepting an inducement to or from an assurance client, the requirements and application material set out in Section 340 apply and non-compliance with these requirements might create threats to independence.
- 906.3 A2 The requirements set out in Section 340 relating to offering or accepting inducements do not allow a firm or assurance team member to accept gifts and hospitality where the intent is to improperly influence behavior even if the value is trivial and inconsequential.

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### SECTION 907

#### ACTUAL OR THREATENED LITIGATION

##### Introduction

907.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

907.2 When litigation with an assurance client occurs, or appears likely, self-interest and intimidation threats are created. This section sets out specific application material relevant to applying the conceptual framework in such circumstances.

##### Application Material

###### General

907.3 A1 The relationship between client management and assurance team members must be characterized by complete candor and full disclosure regarding all aspects of a client's operations. Adversarial positions might result from actual or threatened litigation between an assurance client and the firm or an assurance team member. Such adversarial positions might affect management's willingness to make complete disclosures and create self-interest and intimidation threats.

907.3 A2 Factors that are relevant in evaluating the level of such threats include:

- The materiality of the litigation.
- Whether the litigation relates to a prior assurance engagement.

907.3 A3 If the litigation involves an assurance team member, an example of an action that might eliminate such self-interest and intimidation threats is removing that individual from the assurance team.

907.3 A4 An example of an action that might be a safeguard to address such self-interest and intimidation threats is having an appropriate reviewer review the work performed.

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### SECTION 910

#### FINANCIAL INTERESTS

##### Introduction

910.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

910.2 Holding a financial interest in an assurance client might create a self-interest threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

910.3 A1 A financial interest might be held directly or indirectly through an intermediary such as a collective investment vehicle, an estate or a trust. When a beneficial owner has control over the intermediary or ability to influence its investment decisions, the Code defines that financial interest to be direct. Conversely, when a beneficial owner has no control over the intermediary or ability to influence its investment decisions, the Code defines that financial interest to be indirect.

910.3 A2 This section contains references to the “materiality” of a financial interest. In determining whether such an interest is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.

910.3 A3 Factors that are relevant in evaluating the level of a self-interest threat created by holding a financial interest in an assurance client include:

- The role of the individual holding the financial interest.
- Whether the financial interest is direct or indirect.
- The materiality of the financial interest.



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### **Financial Interests Held by the Firm, Assurance Team Members and Immediate Family**

**R910.4** A direct financial interest or a material indirect financial interest in the assurance client shall not be held by:

- (a) The firm; or
- (b) An assurance team member or any of that individual's immediate family.

### **Financial Interests in an Entity Controlling an Assurance Client**

**R910.5** When an entity has a controlling interest in the assurance client and the client is material to the entity, neither the firm, nor an assurance team member, nor any of that individual's immediate family shall hold a direct or material indirect financial interest in that entity.

### **Financial Interests Held as Trustee**

**R910.6** Paragraph R910.4 shall also apply to a financial interest in an assurance client held in a trust for which the firm or individual acts as trustee unless:

- (a) None of the following is a beneficiary of the trust: the trustee, the assurance team member or any of that individual's immediate family, or the firm;
- (b) The interest in the assurance client held by the trust is not material to the trust;
- (c) The trust is not able to exercise significant influence over the assurance client; and
- (d) None of the following can significantly influence any investment decision involving a financial interest in the assurance client: the trustee, the assurance team member or any of that individual's immediate family, or the firm.

### **Financial Interests Received Unintentionally**

**R910.7** If a firm, an assurance team member, or any of that individual's immediate family, receives a direct financial interest or a material indirect financial interest in an assurance client by way of an inheritance, gift, as a result of a merger, or in similar circumstances and the interest would not otherwise be permitted to be held under this section, then:

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- (a) If the interest is received by the firm, the financial interest shall be disposed of immediately, or enough of an indirect financial interest shall be disposed of so that the remaining interest is no longer material; or
- (b) If the interest is received by an assurance team member, or by any of that individual's immediate family, the individual who received the financial interest shall immediately dispose of the financial interest, or dispose of enough of an indirect financial interest so that the remaining interest is no longer material.

### **Financial Interests – Other Circumstances**

#### *Close Family*

- 910.8 A1 A self-interest threat might be created if an assurance team member knows that a close family member has a direct financial interest or a material indirect financial interest in the assurance client.
- 910.8 A2 Factors that are relevant in evaluating the level of such a threat include:
- The nature of the relationship between the assurance team member and the close family member.
  - Whether the financial interest is direct or indirect.
  - The materiality of the financial interest to the close family member.
- 910.8 A3 Examples of actions that might eliminate such a self-interest threat include:
- Having the close family member dispose, as soon as practicable, of all of the financial interest or dispose of enough of an indirect financial interest so that the remaining interest is no longer material.
  - Removing the individual from the assurance team.
- 910.8 A4 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review the work of the assurance team member.

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*Other Individuals*

910.8 A5 A self-interest threat might be created if an assurance team member knows that a financial interest is held in the assurance client by individuals such as:

- Partners and professional employees of the firm, apart from those who are specifically not permitted to hold such financial interests by paragraph R910.4, or their immediate family members.
- Individuals with a close personal relationship with an assurance team member.

910.8 A6 An example of an action that might eliminate such a self-interest threat is removing the assurance team member with the personal relationship from the assurance team.

910.8 A7 Examples of actions that might be safeguards to address such a self-interest threat include:

- Excluding the assurance team member from any significant decision-making concerning the assurance engagement.
- Having an appropriate reviewer review the work of the assurance team member.

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### SECTION 911

#### LOANS AND GUARANTEES

##### Introduction

911.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

911.2 A loan or a guarantee of a loan with an assurance client might create a self-interest threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

911.3 A1 This section contains references to the “materiality” of a loan or guarantee. In determining whether such a loan or guarantee is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.

###### Loans and Guarantees with an Assurance Client

**R911.4** A firm, an assurance team member, or any of that individual’s immediate family shall not make or guarantee a loan to an assurance client unless the loan or guarantee is immaterial to both:

- (a) The firm or the individual making the loan or guarantee, as applicable; and
- (b) The client.

###### Loans and Guarantees with an Assurance Client that is a Bank or Similar Institution

**R911.5** A firm, an assurance team member, or any of that individual’s immediate family shall not accept a loan, or a guarantee of a loan, from an assurance client that is a bank or a similar institution unless the loan or guarantee is made under normal lending procedures, terms and conditions.

911.5 A1 Examples of loans include mortgages, bank overdrafts, car loans and credit card balances.

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- 911.5 A2 Even if a firm receives a loan from an assurance client that is a bank or similar institution under normal lending procedures, terms and conditions, the loan might create a self-interest threat if it is material to the assurance client or firm receiving the loan.
- 911.5 A3 An example of an action that might be a safeguard to address such a self-interest threat is having the work reviewed by an appropriate reviewer, who is not an assurance team member, from a network firm that is not a beneficiary of the loan.

*Deposit or Brokerage Accounts*

- R911.6** A firm, an assurance team member, or any of that individual's immediate family shall not have deposits or a brokerage account with an assurance client that is a bank, broker, or similar institution, unless the deposit or account is held under normal commercial terms.

**Loans and Guarantees with an Assurance Client that is not a Bank or Similar Institution**

- R911.7** A firm or an assurance team member, or any of that individual's immediate family, shall not accept a loan from, or have a borrowing guaranteed by, an assurance client that is not a bank or similar institution, unless the loan or guarantee is immaterial to both:
- (a) The firm, or the individual receiving the loan or guarantee, as applicable; and
  - (b) The client.

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### SECTION 920

#### BUSINESS RELATIONSHIPS

##### Introduction

920.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

920.2 A close business relationship with an assurance client or its management might create a self-interest or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

920.3 A1 This section contains references to the “materiality” of a financial interest and the “significance” of a business relationship. In determining whether such a financial interest is material to an individual, the combined net worth of the individual and the individual’s immediate family members may be taken into account.

920.3 A2 Examples of a close business relationship arising from a commercial relationship or common financial interest include:

- Having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
- Arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties.
- Distribution or marketing arrangements under which the firm distributes or markets the client’s products or services, or the client distributes or markets the firm’s products or services.

##### Firm, Assurance Team Member or Immediate Family Business Relationships

**R920.4** A firm or an assurance team member shall not have a close business relationship with an assurance client or its management unless any financial interest is immaterial and the business relationship is insignificant to the client or its management and the firm or the assurance team member, as applicable.

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920.4 A1 A self-interest or intimidation threat might be created if there is a close business relationship between the assurance client or its management and the immediate family of an assurance team member.

**Buying Goods or Services**

920.5 A1 The purchase of goods and services from an assurance client by a firm, or an assurance team member, or any of that individual's immediate family does not usually create a threat to independence if the transaction is in the normal course of business and at arm's length. However, such transactions might be of such a nature and magnitude that they create a self-interest threat.

920.5 A2 Examples of actions that might eliminate such a self-interest threat include:

- Eliminating or reducing the magnitude of the transaction.
- Removing the individual from the assurance team.

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### SECTION 921

#### FAMILY AND PERSONAL RELATIONSHIPS

##### Introduction

- 921.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 921.2 Family or personal relationships with client personnel might create a self-interest, familiarity or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

- 921.3 A1 A self-interest, familiarity or intimidation threat might be created by family and personal relationships between an assurance team member and a director or officer or, depending on their role, certain employees of the assurance client.
- 921.3 A2 Factors that are relevant in evaluating the level of such threats include:
- The individual's responsibilities on the assurance team.
  - The role of the family member or other individual within the client, and the closeness of the relationship.

###### Immediate Family of an Assurance Team Member

- 921.4 A1 A self-interest, familiarity or intimidation threat is created when an immediate family member of an assurance team member is an employee in a position to exert significant influence over the subject matter of the engagement.
- 921.4 A2 Factors that are relevant in evaluating the level of such threats include:
- The position held by the immediate family member.
  - The role of the assurance team member.
- 921.4 A3 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the assurance team.



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921.4 A4 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the assurance team so that the assurance team member does not deal with matters that are within the responsibility of the immediate family member.

**R921.5** An individual shall not participate as an assurance team member when any of that individual's immediate family:

- (a) Is a director or officer of the assurance client;
- (b) Is an employee in a position to exert significant influence over the subject matter information of the assurance engagement; or
- (c) Was in such a position during any period covered by the engagement or the subject matter information.

### **Close Family of an Assurance Team Member**

921.6 A1 A self-interest, familiarity or intimidation threat is created when a close family member of an assurance team member is:

- (a) A director or officer of the assurance client; or
- (b) An employee in a position to exert significant influence over the subject matter information of the assurance engagement.

921.6 A2 Factors that are relevant in evaluating the level of such threats include:

- The nature of the relationship between the assurance team member and the close family member.
- The position held by the close family member.
- The role of the assurance team member.

921.6 A3 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the assurance team.

921.6 A4 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the assurance team so that the assurance team member does not deal with matters that are within the responsibility of the close family member.

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**Other Close Relationships of an Assurance Team Member**

**R921.7** An assurance team member shall consult in accordance with firm policies and procedures if the assurance team member has a close relationship with an individual who is not an immediate or close family member, but who is:

- (a) A director or officer of the assurance client; or
- (b) An employee in a position to exert significant influence over the subject matter information of the assurance engagement.

921.7 A1 Factors that are relevant in evaluating the level of a self-interest, familiarity or intimidation threat created by such relationships include:

- The nature of the relationship between the individual and the assurance team member.
- The position the individual holds with the client.
- The role of the assurance team member.

921.7 A2 An example of an action that might eliminate such a self-interest, familiarity or intimidation threat is removing the individual from the assurance team.

921.7 A3 An example of an action that might be a safeguard to address such a self-interest, familiarity or intimidation threat is structuring the responsibilities of the assurance team so that the assurance team member does not deal with matters that are within the responsibility of the individual with whom the assurance team member has a close relationship.

**Relationships of Partners and Employees of the Firm**

921.8 A1 A self-interest, familiarity or intimidation threat might be created by a personal or family relationship between:

- (a) A partner or employee of the firm who is not an assurance team member; and
- (b) A director or officer of the assurance client or an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

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- 921.8 A2 Factors that are relevant in evaluating the level of such threats include:
- The nature of the relationship between the partner or employee of the firm and the director or officer or employee of the client.
  - The degree of interaction of the partner or employee of the firm with the assurance team.
  - The position of the partner or employee within the firm.
  - The role of the individual within the client.
- 921.8 A3 Examples of actions that might be safeguards to address such self-interest, familiarity or intimidation threats include:
- Structuring the partner's or employee's responsibilities to reduce any potential influence over the assurance engagement.
  - Having an appropriate reviewer review the relevant assurance work performed.

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**SECTION 922**

**RECENT SERVICE WITH AN ASSURANCE CLIENT**

**Introduction**

922.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

922.2 If an assurance team member has recently served as a director or officer or employee of the assurance client, a self-interest, self-review or familiarity threat might be created. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

**Requirements and Application Material**

**Service During the Period Covered by the Assurance Report**

**R922.3** The assurance team shall not include an individual who, during the period covered by the assurance report:

- (a) Had served as a director or officer of the assurance client; or
- (b) Was an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

**Service Prior to the Period Covered by the Assurance Report**

922.4 A1 A self-interest, self-review or familiarity threat might be created if, before the period covered by the assurance report, an assurance team member:

- (a) Had served as a director or officer of the assurance client; or
- (b) Was an employee in a position to exert significant influence over the subject matter information of the assurance engagement.

For example, a threat would be created if a decision made or work performed by the individual in the prior period, while employed by the client, is to be evaluated in the current period as part of the current assurance engagement.

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922.4 A2 Factors that are relevant in evaluating the level of such threats include:

- The position the individual held with the client.
- The length of time since the individual left the client.
- The role of the assurance team member.

922.4 A3 An example of an action that might be a safeguard to address such a self-interest, self-review or familiarity threat is having an appropriate reviewer review the work performed by the assurance team member.

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### SECTION 923

#### SERVING AS A DIRECTOR OR OFFICER OF AN ASSURANCE CLIENT

##### Introduction

923.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

923.2 Serving as a director or officer of an assurance client creates self-review and self-interest threats. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### Service as Director or Officer

**R923.3** A partner or employee of the firm shall not serve as a director or officer of an assurance client of the firm.

###### Service as Company Secretary

**R923.4** A partner or employee of the firm shall not serve as Company Secretary for an assurance client of the firm unless:

- (a) This practice is specifically permitted under local law, professional rules or practice;
- (b) Management makes all decisions; and
- (c) The duties and activities performed are limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory returns.

923.4 A1 The position of Company Secretary has different implications in different jurisdictions. Duties might range from: administrative duties (such as personnel management and the maintenance of company records and registers) to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters. Usually this position is seen to imply a close association with the entity. Therefore, a threat is created if a partner or employee of the firm serves as Company Secretary for an assurance client. (More information on providing non-assurance services to an assurance client is set out in Section 950, *Provision of Non-assurance Services to an Assurance Client*).

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### SECTION 924

#### EMPLOYMENT WITH AN ASSURANCE CLIENT

##### Introduction

924.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.

924.2 Employment relationships with an assurance client might create a self-interest, familiarity or intimidation threat. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

924.3 A1 A familiarity or intimidation threat might be created if any of the following individuals have been an assurance team member or partner of the firm:

- A director or officer of the assurance client.
- An employee who is in a position to exert significant influence over the subject matter information of the assurance engagement.

###### *Former Partner or Assurance Team Member Restrictions*

**R924.4** If a former partner has joined an assurance client of the firm or a former assurance team member has joined the assurance client as:

- (a) A director or officer; or
- (b) An employee in a position to exert significant influence over the subject matter information of the assurance engagement,

the individual shall not continue to participate in the firm's business or professional activities.

924.4 A1 Even if one of the individuals described in paragraph R924.4 has joined the assurance client in such a position and does not continue to participate in the firm's business or professional activities, a familiarity or intimidation threat might still be created.

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924.4 A2 A familiarity or intimidation threat might also be created if a former partner of the firm has joined an entity in one of the positions described in paragraph 924.3 A1 and the entity subsequently becomes an assurance client of the firm.

924.4 A3 Factors that are relevant in evaluating the level of such threats include:

- The position the individual has taken at the client.
- Any involvement the individual will have with the assurance team.
- The length of time since the individual was an assurance team member or partner of the firm.
- The former position of the individual within the assurance team or firm. An example is whether the individual was responsible for maintaining regular contact with the client's management or those charged with governance.

924.4 A4 Examples of actions that might be safeguards to address such a familiarity or intimidation threat include:

- Making arrangements such that the individual is not entitled to any benefits or payments from the firm, unless made in accordance with fixed pre-determined arrangements.
- Making arrangements such that any amount owed to the individual is not material to the firm.
- Modifying the plan for the assurance engagement.
- Assigning to the assurance team individuals who have sufficient experience relative to the individual who has joined the client.
- Having an appropriate reviewer review the work of the former assurance team member.

### *Assurance Team Members Entering Employment Negotiations with a Client*

**R924.5** A firm shall have policies and procedures that require assurance team members to notify the firm when entering employment negotiations with an assurance client.



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- 924.5 A1 A self-interest threat is created when an assurance team member participates in the assurance engagement while knowing that the assurance team member will, or might, join the client sometime in the future.
- 924.5 A2 An example of an action that might eliminate such a self-interest threat is removing the individual from the assurance engagement.
- 924.5 A3 An example of an action that might be a safeguard to address such a self-interest threat is having an appropriate reviewer review any significant judgments made by that assurance team member while on the team.

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### SECTION 940

#### LONG ASSOCIATION OF PERSONNEL WITH AN ASSURANCE CLIENT

##### Introduction

- 940.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 940.2 When an individual is involved in an assurance engagement of a recurring nature over a long period of time, familiarity and self-interest threats might be created. This section sets out requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

- 940.3 A1 A familiarity threat might be created as a result of an individual's long association with:
- (a) The assurance client;
  - (b) The assurance client's senior management; or
  - (c) The subject matter and subject matter information of the assurance engagement.
- 940.3 A2 A self-interest threat might be created as a result of an individual's concern about losing a longstanding assurance client or an interest in maintaining a close personal relationship with a member of senior management or those charged with governance. Such a threat might influence the individual's judgment inappropriately.
- 940.3 A3 Factors that are relevant to evaluating the level of such familiarity or self-interest threats include:
- The nature of the assurance engagement.
  - How long the individual has been an assurance team member, the individual's seniority on the team, and the nature of the roles performed, including if such a relationship existed while the individual was at a prior firm.

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- The extent to which the work of the individual is directed, reviewed and supervised by more senior personnel.
- The extent to which the individual, due to the individual's seniority, has the ability to influence the outcome of the assurance engagement, for example, by making key decisions or directing the work of other engagement team members.
- The closeness of the individual's personal relationship with the assurance client or, if relevant, senior management.
- The nature, frequency and extent of interaction between the individual and the assurance client.
- Whether the nature or complexity of the subject matter or subject matter information has changed.
- Whether there have been any recent changes in the individual or individuals who are the responsible party or, if relevant, senior management.

940.3 A4 The combination of two or more factors might increase or reduce the level of the threats. For example, familiarity threats created over time by the increasingly close relationship between an individual and the assurance client would be reduced by the departure of the individual who is the responsible party.

940.3 A5 An example of an action that might eliminate the familiarity and self-interest threats in relation to a specific engagement would be rotating the individual off the assurance team.

940.3 A6 Examples of actions that might be safeguards to address such familiarity or self-interest threats include:

- Changing the role of the individual on the assurance team or the nature and extent of the tasks the individual performs.
- Having an appropriate reviewer who was not an assurance team member review the work of the individual.
- Performing regular independent internal or external quality reviews of the engagement.

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**R940.4** If a firm decides that the level of the threats created can only be addressed by rotating the individual off the assurance team, the firm shall determine an appropriate period during which the individual shall not:

- (a) Be a member of the engagement team for the assurance engagement;
- (b) Provide quality control for the assurance engagement; or
- (c) Exert direct influence on the outcome of the assurance engagement.

The period shall be of sufficient duration to allow the familiarity and self-interest threats to be addressed.

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### SECTION 950

#### PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENT CLIENTS

##### Introduction

- 950.1 Firms are required to comply with the fundamental principles, be independent, and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 950.2 Firms might provide a range of non-assurance services to their assurance clients, consistent with their skills and expertise. Providing certain non-assurance services to assurance clients might create threats to compliance with the fundamental principles and threats to independence. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

##### Requirements and Application Material

###### General

- R950.3** Before a firm accepts an engagement to provide a non-assurance service to an assurance client, the firm shall determine whether providing such a service might create a threat to independence.
- 950.3 A1 The requirements and application material in this section assist firms in analyzing certain types of non-assurance services and the related threats that might be created when a firm accepts or provides non- assurance services to an assurance client.
- 950.3 A2 New business practices, the evolution of financial markets and changes in information technology are among the developments that make it impossible to draw up an all-inclusive list of non-assurance services that might be provided to an assurance client. As a result, the Code does not include an exhaustive listing of all non-assurance services that might be provided to an assurance client.

###### *Evaluating Threats*

- 950.4 A1 Factors that are relevant in evaluating the level of threats created by providing a non-assurance service to an assurance client include:
- The nature, scope and purpose of the service.
  - The degree of reliance that will be placed on the outcome of the service as part of the assurance engagement.

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- The legal and regulatory environment in which the service is provided.
- Whether the outcome of the service will affect matters reflected in the subject matter or subject matter information of the assurance engagement, and, if so:
  - The extent to which the outcome of the service will have a material or significant effect on the subject matter of the assurance engagement.
  - The extent of the assurance client's involvement in determining significant matters of judgment.
- The level of expertise of the client's management and employees with respect to the type of service provided.

### Materiality in Relation to an Assurance Client's Information

950.4 A2 The concept of materiality in relation to an assurance client's information is addressed in *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information*. The determination of materiality involves the exercise of professional judgment and is impacted by both quantitative and qualitative factors. It is also affected by perceptions of the financial or other information needs of users.

### Multiple Non-assurance Services Provided to the Same Assurance Client

950.4 A3 A firm might provide multiple non-assurance services to an assurance client. In these circumstances the combined effect of threats created by providing those services is relevant to the firm's evaluation of threats.

### *Addressing Threats*

950.5 A1 Paragraph 120.10 A2 includes a description of safeguards. In relation to providing non-assurance services to assurance clients, safeguards are actions, individually or in combination, that the firm takes that effectively reduce threats to independence to an acceptable level. In some situations, when a threat is created by providing a service to an assurance client, safeguards might not be available. In such situations, the application of the conceptual framework set out in Section 120 requires the firm to decline or end the non-assurance service or the assurance engagement.

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### *Prohibition on Assuming Management Responsibilities*

**R950.6** A firm shall not assume a management responsibility related to the subject matter or subject matter information of an assurance engagement provided by the firm. If the firm assumes a management responsibility as part of any other service provided to the assurance client, the firm shall ensure that the responsibility is not related to the subject matter or subject matter information of the assurance engagement provided by the firm.

950.6 A1 Management responsibilities involve controlling, leading and directing an entity, including making decisions regarding the acquisition, deployment and control of human, financial, technological, physical and intangible resources.

950.6 A2 Providing a non-assurance service to an assurance client creates self-review and self-interest threats if the firm assumes a management responsibility when performing the service. In relation to providing a service related to the subject matter or subject matter information of an assurance engagement provided by the firm, assuming a management responsibility also creates a familiarity threat and might create an advocacy threat because the firm becomes too closely aligned with the views and interests of management.

950.6 A3 Determining whether an activity is a management responsibility depends on the circumstances and requires the exercise of professional judgment. Examples of activities that would be considered a management responsibility include:

- Setting policies and strategic direction.
- Hiring or dismissing employees.
- Directing and taking responsibility for the actions of employees in relation to the employees' work for the entity.
- Authorizing transactions.
- Controlling or managing bank accounts or investments.
- Deciding which recommendations of the firm or other third parties to implement.
- Reporting to those charged with governance on behalf of management.
- Taking responsibility for designing, implementing, monitoring and maintaining internal control.

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950.6 A4 Providing advice and recommendations to assist the management of an assurance client in discharging its responsibilities is not assuming a management responsibility. (Ref: Paras. R950.6 to 950.6 A3).

**R950.7** To avoid assuming a management responsibility when providing non-assurance services to an assurance client that are related to the subject matter or subject matter information of the assurance engagement, the firm shall be satisfied that client management makes all related judgments and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

(a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the services. Such an individual, preferably within senior management, would understand:

(i) The objectives, nature and results of the services; and

(ii) The respective client and firm responsibilities.

However, the individual is not required to possess the expertise to perform or re-perform the services.

(b) Provides oversight of the services and evaluates the adequacy of the results of the service performed for the client's purpose; and

(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the services.

### *Other Considerations Related to Providing Specific Non-Assurance Services*

950.8 A1 A self-review threat might be created if the firm is involved in the preparation of subject matter information which is subsequently the subject matter information of an assurance engagement. Examples of non-assurance services that might create such self-review threats when providing services related to the subject matter information of an assurance engagement include:

(a) Developing and preparing prospective information and subsequently providing assurance on this information.

(b) Performing a valuation that forms part of the subject matter information of an assurance engagement.



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### SECTION 990

#### REPORTS THAT INCLUDE A RESTRICTION ON USE AND DISTRIBUTION (ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS)

##### Introduction

- 990.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.
- 990.2 This section sets out certain modifications to Part 4B which are permitted in certain circumstances involving assurance engagements where the report includes a restriction on use and distribution. In this section, an engagement to issue a restricted use and distribution assurance report in the circumstances set out in paragraph R990.3 is referred to as an “eligible assurance engagement.”

##### Requirements and Application Material

###### General

**R990.3** When a firm intends to issue a report on an assurance engagement which includes a restriction on use and distribution, the independence requirements set out in Part 4B shall be eligible for the modifications that are permitted by this section, but only if:

- (a) The firm communicates with the intended users of the report regarding the modified independence requirements that are to be applied in providing the service; and
- (b) The intended users of the report understand the purpose, subject matter information and limitations of the report and explicitly agree to the application of the modifications.

990.3 A1 The intended users of the report might obtain an understanding of the purpose, subject matter information, and limitations of the report by participating, either directly, or indirectly through a representative who has authority to act for the intended users, in establishing the nature and scope of the engagement. In either case, this participation helps the firm to communicate with intended users about independence matters, including the circumstances that are relevant to applying the conceptual framework. It also allows the firm to obtain the agreement of the intended users to the modified independence requirements.

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**R990.4** Where the intended users are a class of users who are not specifically identifiable by name at the time the engagement terms are established, the firm shall subsequently make such users aware of the modified independence requirements agreed to by their representative.

990.4 A1 For example, where the intended users are a class of users such as lenders in a syndicated loan arrangement, the firm might describe the modified independence requirements in an engagement letter to the representative of the lenders. The representative might then make the firm's engagement letter available to the members of the group of lenders to meet the requirement for the firm to make such users aware of the modified independence requirements agreed to by the representative.

**R990.5** When the firm performs an eligible assurance engagement, any modifications to Part 4B shall be limited to those modifications set out in paragraphs R990.7 and R990.8.

**R990.6** If the firm also issues an assurance report that does not include a restriction on use and distribution for the same client, the firm shall apply Part 4B to that assurance engagement.

### **Financial Interests, Loans and Guarantees, Close Business, Family and Personal Relationships**

**R990.7** When the firm performs an eligible assurance engagement:

- (a) The relevant provisions set out in Sections 910, 911, 920, 921, 922 and 924 need apply only to the members of the engagement team, and their immediate and close family members;
- (b) The firm shall identify, evaluate and address any threats to independence created by interests and relationships, as set out in Sections 910, 911, 920, 921, 922 and 924, between the assurance client and the following assurance team members:
  - (i) Those who provide consultation regarding technical or industry specific issues, transactions or events; and
  - (ii) Those who provide quality control for the engagement, including those who perform the engagement quality control review; and
- (c) The firm shall evaluate and address any threats that the engagement team has reason to believe are created by interests and relationships between the assurance client and others within the firm who can directly influence the outcome of the assurance engagement, as set out in Sections 910, 911, 920, 921, 922 and 924.

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990.7 A1 Others within the firm who can directly influence the outcome of the assurance engagement include those who recommend the compensation, or who provide direct supervisory, management or other oversight, of the assurance engagement partner in connection with the performance of the assurance engagement.

**R990.8** When the firm performs an eligible assurance engagement, the firm shall not hold a material direct or a material indirect financial interest in the assurance client.

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### GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS

In the *Code of Ethics for Chartered Accountants*, the singular shall be construed as including the plural as well as the reverse, and the terms below have the following meanings assigned to them.

In this Glossary, explanations of defined terms are shown in regular font; italics are used for explanations of described terms which have a specific meaning in certain parts of the Code or for additional explanations of defined terms. References are also provided to terms described in the Code.

**Acceptable level** A level at which a chartered accountant using the reasonable and informed third party test would likely conclude that the accountant complies with the fundamental principles.

**Advertising** The communication to the public of information as to the services or skills provided by chartered accountants in practice with a view to procuring professional business.

**Appropriate reviewer** *An appropriate reviewer is a professional with the necessary knowledge, skills, experience and authority to review, in an objective manner, the relevant work performed or service provided. Such an individual might be a chartered accountant.*

*This term is described in paragraph 300.8A4.*

**Assurance client** The responsible party that is the person (or persons) who:

- (a) In a direct reporting engagement, is responsible for the subject matter; or
- (b) In an assertion-based engagement, is responsible for the subject matter information and might be responsible for the subject matter.

**Assurance engagement** An engagement in which a chartered accountant in practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

(For guidance on assurance engagements, see the *International Framework for Assurance Engagements* issued by the International Auditing and Assurance Standards Board. The *International Framework for Assurance Engagements* describes the elements and objectives of an assurance engagement and identifies engagements to which *International Standards on Auditing (ISAs)*, *International Standards on Review Engagements (ISREs)* and *International Standards on Assurance Engagements (ISAEs)* apply.)

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Assurance team	<p>(a) All members of the engagement team for the assurance engagement;</p> <p>(b) All others within a firm who can directly influence the outcome of the assurance engagement, including:</p> <p>(i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement;</p> <p>(ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and</p> <p>(iii) Those who provide quality control for the assurance engagement, including those who perform the engagement quality control review for the assurance engagement.</p>
Audit	<p><i>In Part 4A, the term “audit” applies equally to “review.”</i></p>
Audit client	<p>An entity in respect of which a firm conducts an audit engagement. When the client is a listed entity, audit client will always include its related entities. When the audit client is not a listed entity, audit client includes those related entities over which the client has direct or indirect control. (<i>See also paragraph R400.20.</i>)</p> <p><i>In Part 4A, the term “audit client” applies equally to “review client.”</i></p>
Audit engagement	<p>A reasonable assurance engagement in which a chartered accountant in practice expresses an opinion whether financial statements are prepared, in all material respects (or give a true and fair view or are presented fairly, in all material respects), in accordance with an applicable financial reporting framework, such as an engagement conducted in accordance with <i>International Standards on Auditing</i>. This includes a Statutory Audit, which is an audit required by legislation or other regulation.</p> <p><i>In Part 4A, the term “audit engagement” applies equally to “review engagement.”</i></p>
Audit report	<p><i>In Part 4A, the term “audit report” applies equally to “review report.”</i></p>
Audit team	<p>(a) All members of the engagement team for the audit engagement;</p> <p>(b) All others within a firm who can directly influence the outcome of the audit engagement, including:</p>

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- (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent);
- (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and
- (iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and

All those within a network firm who can directly influence the outcome of the audit engagement.

*In Part 4A, the term “audit team” applies equally to “review team.”*

Chartered accountant

“Chartered accountant” means a person who is a member of the Institute.

In Part 1, the term “chartered accountant” refers to individual chartered accountants in business and to chartered accountants in practice and their firms.

In Part 2, the term “chartered accountant” refers to chartered accountants in business.

In Parts 3, 4A and 4B, the term “chartered accountant” refers to chartered accountants in practice and their firms.

Chartered accountant in business

*A chartered accountant working in areas such as commerce, industry, service, the public sector, education, the not-for-profit sector, or in regulatory or professional bodies, who might be an employee, contractor, partner, director (executive or non-executive), owner-manager or volunteer.*

Chartered accountant in practice

As defined in the Chartered Accountants Ordinance, 1961.

The term “chartered accountant in practice” is also used to refer to a firm of chartered accountants in practice.

Close family

A parent, child or sibling who is not an immediate family member.

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Code of Corporate Governance	As embodied in the Listing Regulations of the Pakistan Stock Exchange.
Company	Any entity or person(s), whether organized for profit or not, including a parent company and all of its subsidiaries.
Conceptual framework	<i>This term is described in Section 120.</i>
Contingent fee	A fee calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the firm. A fee that is established by a court or other public authority is not a contingent fee.
Cooling-off period	<i>This term is described in paragraph R540.5 for the purposes of paragraphs R540.11 to R540.19.</i>
Direct financial interest	A financial interest: <ul style="list-style-type: none"> <li>(a) Owned directly by and under the control of an individual or entity (including those managed on a discretionary basis by others); or</li> <li>(b) Beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has control, or the ability to influence investment decisions.</li> </ul>
Director or officer	Those charged with the governance of an entity, or acting in an equivalent capacity, regardless of their title, which might vary from jurisdiction to jurisdiction.
Eligible audit engagement	<i>This term is described in paragraph 800.2 for the purposes of Section 800.</i>
Eligible assurance engagement	<i>This term is described in paragraph 990.2 for the purposes of Section 990.</i>
Engagement partner	The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
Engagement period (Audit and Review Engagements)	The engagement period starts when the audit team begins to perform the audit. The engagement period ends when the audit report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final audit report.

CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

Engagement period (Assurance Engagements Other than Audit and Review Engagements)	The engagement period starts when the assurance team begins to perform assurance services with respect to the particular engagement. The engagement period ends when the assurance report is issued. When the engagement is of a recurring nature, it ends at the later of the notification by either party that the professional relationship has ended or the issuance of the final assurance report.
Engagement quality control review	A process designed to provide an objective evaluation, on or before the report is issued, of the significant judgments the engagement team made and the conclusions it reached in formulating the report.
Engagement team	All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm.  The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), <i>Using the Work of Internal Auditors</i> .
Existing accountant	A chartered accountant in practice currently holding an audit appointment or carrying out accounting, tax, consulting or similar professional services for a client.
External expert	An individual (who is not a partner or a member of the professional staff, including temporary staff, of the firm or a network firm) or organization possessing skills, knowledge and experience in a field other than accounting or auditing, whose work in that field is used to assist the chartered accountant in obtaining sufficient appropriate evidence.
Financial interest	An interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest.
Financial statements	A structured representation of historical financial information, including related notes, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term can relate to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.



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Financial statements on which the firm will express an opinion	In the case of a single entity, the financial statements of that entity. In the case of consolidated financial statements, also referred to as group financial statements, the consolidated financial statements.										
Firm	<p>(a) A sole practitioner, partnership or corporation of chartered accountants;</p> <p>(b) An entity that controls such parties, through ownership, management or other means; and</p> <p>(c) An entity controlled by such parties, through ownership, management or other means.</p> <p><i>Paragraphs 400.4 and 900.3 explain how the word “firm” is used to address the responsibility of chartered accountants and firms for compliance with Parts 4A and 4B, respectively.</i></p>										
Fundamental principles	<p><i>This term is described in paragraph 110.1 A1. Each of the fundamental principles is, in turn, described in the following paragraphs:</i></p> <table border="0" style="margin-left: 40px;"> <tr> <td><i>Integrity</i></td> <td style="text-align: right;"><i>R111.1</i></td> </tr> <tr> <td><i>Objectivity</i></td> <td style="text-align: right;"><i>R112.1</i></td> </tr> <tr> <td><i>Professional competence and due care</i></td> <td style="text-align: right;"><i>R113.1</i></td> </tr> <tr> <td><i>Confidentiality</i></td> <td style="text-align: right;"><i>R114.1</i></td> </tr> <tr> <td><i>Professional behavior</i></td> <td style="text-align: right;"><i>R115.1</i></td> </tr> </table>	<i>Integrity</i>	<i>R111.1</i>	<i>Objectivity</i>	<i>R112.1</i>	<i>Professional competence and due care</i>	<i>R113.1</i>	<i>Confidentiality</i>	<i>R114.1</i>	<i>Professional behavior</i>	<i>R115.1</i>
<i>Integrity</i>	<i>R111.1</i>										
<i>Objectivity</i>	<i>R112.1</i>										
<i>Professional competence and due care</i>	<i>R113.1</i>										
<i>Confidentiality</i>	<i>R114.1</i>										
<i>Professional behavior</i>	<i>R115.1</i>										
Historical financial information	Information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.										
Immediate family	A spouse (or equivalent) or dependent.										
Independence	<p>Independence comprises:</p> <p>(a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.</p> <p>(b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm’s, or</p>										

## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

an audit or assurance team member's, integrity, objectivity or professional skepticism has been compromised.

*As set out in paragraphs 400.5 and 900.4, references to an individual or firm being "independent" mean that the individual or firm has complied with Parts 4A and 4B, as applicable.*

**Indirect financial interest** A financial interest beneficially owned through a collective investment vehicle, estate, trust or other intermediary over which the individual or entity has no control or ability to influence investment decisions.

**Inducement** An object, situation, or action that is used as a means to influence another individual's behavior, but not necessarily with the intent to improperly influence that individual's behavior.

*Inducements can range from minor acts of hospitality between business colleagues (for chartered accountants in business), or between chartered accountants and existing or prospective clients (for chartered accountants in practice), to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example:*

- *Gifts.*
- *Hospitality.*
- *Entertainment.*
- *Political or charitable donations.*
- *Appeals to friendship and loyalty.*
- *Employment or other commercial opportunities.*
- *Preferential treatment, rights or privileges.*

**Key audit partner** The engagement partner, the individual responsible for the engagement quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, "other audit partners" might include, for example, audit partners responsible for significant subsidiaries or divisions.

**Listed entity** An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.

**May** *This term is used in the Code to denote permission to take a particular action in certain circumstances, including as an exception to a requirement. It is not used to denote possibility.*

CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

Might	<p><i>This term is used in the Code to denote the possibility of a matter arising, an event occurring or a course of action being taken. The term does not ascribe any particular level of possibility or likelihood when used in conjunction with a threat, as the evaluation of the level of a threat depends on the facts and circumstances of any particular matter, event or course of action.</i></p>
Network	<p>A larger structure:</p> <ul style="list-style-type: none"><li>(a) That is aimed at co-operation; and</li><li>(b) That is clearly aimed at profit or cost sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name, or a significant part of professional resources.</li></ul>
Network firm	<p>A firm or entity that belongs to a network.</p> <p><i>For further information, see paragraphs 400.50 A1 to 400.54 A1.</i></p>
Non-compliance with laws and regulations (Chartered Accountants in Business)	<p><i>Non-compliance with laws and regulations (“non-compliance”) comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:</i></p> <ul style="list-style-type: none"><li>(a) <i>The chartered accountant’s employing organization;</i></li><li>(b) <i>Those charged with governance of the employing organization;</i></li><li>(c) <i>Management of the employing organization; or</i></li><li>(d) <i>Other individuals working for or under the direction of the employing organization.</i></li></ul> <p><i>This term is described in paragraph 260.5 A1.</i></p>
Non-compliance with laws and regulations (Chartered Accountants in Practice)	<p><i>Non-compliance with laws and regulations (“non-compliance”) comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:</i></p> <ul style="list-style-type: none"><li>(a) <i>A client;</i></li><li>(b) <i>Those charged with governance of a client;</i></li><li>(c) <i>Management of a client; or</i></li><li>(d) <i>Other individuals working for or under the direction of a client.</i></li></ul> <p><i>This term is described in paragraph 360.5 A1.</i></p>
Office	<p>A distinct sub-group, whether organized on geographical or practice lines.</p>

## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

Predecessor accountant	A chartered accountant in practice who most recently held an audit appointment or carried out accounting, tax, consulting or similar professional services for a client, where there is no existing accountant.
Professional activity	An activity requiring accountancy or related skills undertaken by a chartered accountant, including accounting, auditing, tax, management consulting, and financial management.
Professional services	Professional activities performed for clients.
Proposed accountant	A chartered accountant in practice who is considering accepting an audit appointment or an engagement to perform accounting, tax, consulting or similar professional services for a prospective client (or in some cases, an existing client).
Public interest entity	<p>(a) A listed entity; or</p> <p>(b) An entity:</p> <ul style="list-style-type: none"><li>(i) Defined by regulation or legislation as a public interest entity; or</li><li>(ii) For which the audit is required by regulation or legislation to be conducted in compliance with the same independence requirements that apply to the audit of listed entities. Such regulation might be promulgated by any relevant regulator, including an audit regulator.</li></ul> <p><i>Other entities might also be considered to be public interest entities, as set out in paragraph 400.8.</i></p>
Publicity	The communication to the public of facts about a chartered accountant which are not designed for the deliberate promotion of that chartered accountant.
Reasonable and informed third party	<p><i>The reasonable and informed third party test is a consideration by the chartered accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time that the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.</i></p> <p><i>These terms are described in paragraph R120.5 A4.</i></p>
Reasonable and informed third party test	

## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

Related entity	<p>An entity that has any of the following relationships with the client:</p> <ul style="list-style-type: none"><li>(a) An entity that has direct or indirect control over the client if the client is material to such entity;</li><li>(b) An entity with a direct financial interest in the client if that entity has significant influence over the client and the interest in the client is material to such entity;</li><li>(c) An entity over which the client has direct or indirect control;</li><li>(d) An entity in which the client, or an entity related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and</li><li>(e) An entity which is under common control with the client (a “sister entity”) if the sister entity and the client are both material to the entity that controls both the client and sister entity.</li></ul>
Review client	<p>An entity in respect of which a firm conducts a review engagement.</p>
Review engagement	<p>An assurance engagement, conducted in accordance with <i>International Standards on Review Engagements</i> or equivalent, in which a chartered accountant in practice expresses a conclusion on whether, on the basis of the procedures which do not provide all the evidence that would be required in an audit, anything has come to the accountant’s attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework.</p>
Review team	<ul style="list-style-type: none"><li>(a) All members of the engagement team for the review engagement; and</li><li>(b) All others within a firm who can directly influence the outcome of the review engagement, including:<ul style="list-style-type: none"><li>i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the review engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm’s Senior or Managing Partner (Chief Executive or equivalent);</li><li>ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and</li></ul></li></ul>

CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

iii) Those who provide quality control for the engagement, including those who perform the engagement quality control review for the engagement; and

All those within a network firm who can directly influence the outcome of the review engagement.

**Safeguards** *Safeguards are actions, individually or in combination, that the chartered accountant takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.*

*This term is described in paragraph 120.10 A2.*

**Senior chartered accountant in business** *Senior chartered accountants in business are directors, officers or senior employees able to exert significant influence, over, and make decisions regarding, the acquisition, deployment and control of the employing organization’s human, financial, technological, physical and intangible resources.*

*This term is described in paragraph 260.11 A1.*

**Substantial harm** *This term is described in paragraphs 260.5 A3 and 360.5 A3.*

**Special purpose financial statements** *Financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specified users.*

**Those charged with governance** *The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance might include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.*

**Threats** *This term is described in paragraph 120.6 A3 and includes the following categories:*

- Self interest* 120.6 A3(a)
- Self-review* 120.6 A3(b)
- Advocacy* 120.6 A3(c)
- Familiarity* 120.6 A3(d)
- Intimidation* 120.6 A3(e)

**Time-on period** *This term is described in paragraph R540.5.*

## CODE OF ETHICS FOR CHARTERED ACCOUNTANTS

### LISTS OF ABBREVIATIONS AND STANDARDS REFERRED TO IN THE CODE

#### LIST OF ABBREVIATIONS

<b>Abbreviation</b>	<b>Explanation</b>
Assurance Framework	International Framework for Assurance Engagements
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CoCo	Chartered Professional Accountants of Canada Criteria of Control
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
ISAs	International Standards on Auditing
ISAES	International Standards on Assurance Engagements
ISQCs	International Standards on Quality Control
ISREs	International Standards on Review Engagements

#### LIST OF STANDARDS REFERRED TO IN THE CODE

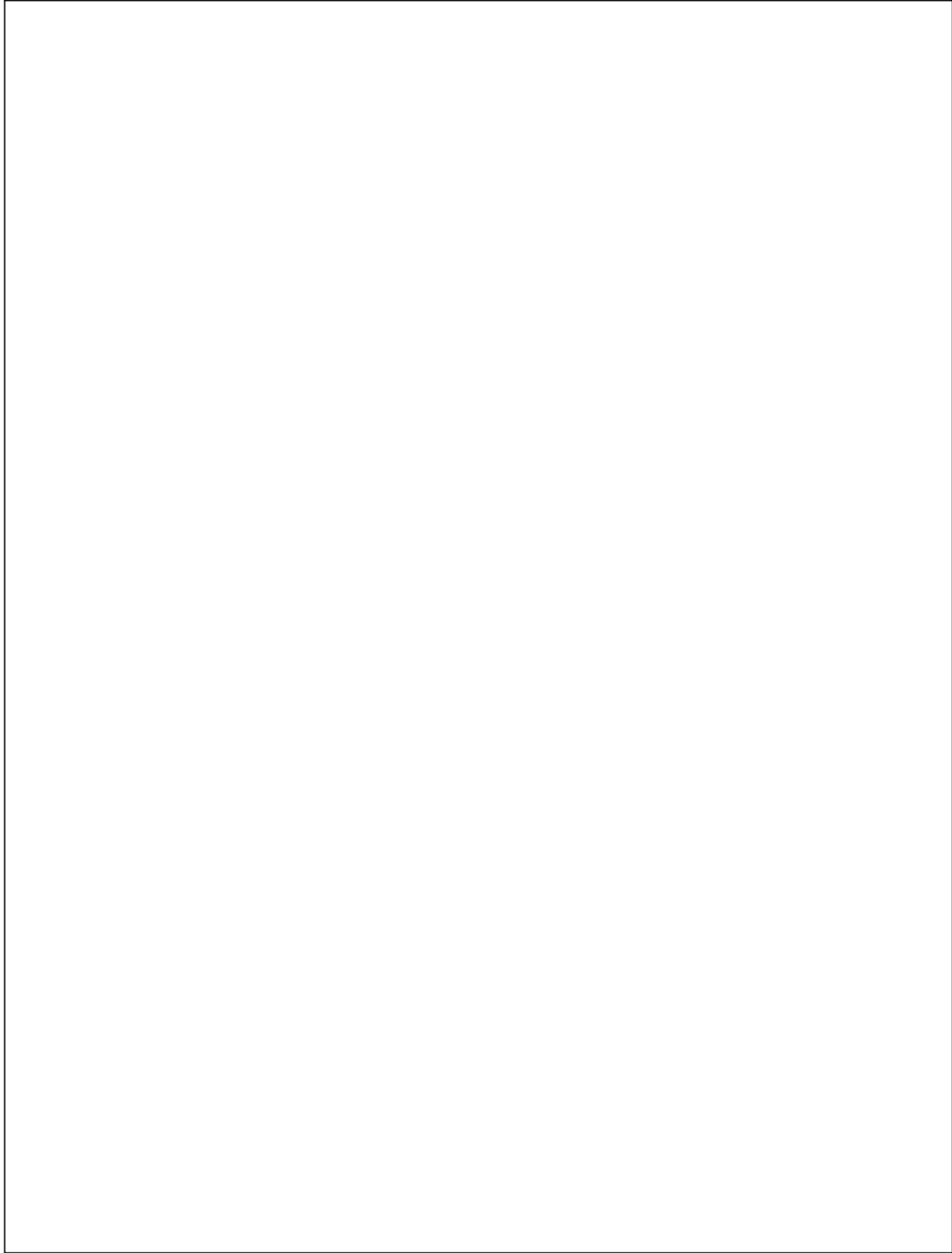
<b>Standard</b>	<b>Full Title</b>
ISA 320	Materiality In Planning and Performing an Audit
ISA 610 (Revised 2013)	Using the Work of Internal Auditors
ISAE 3000 (Revised)	Assurance Engagements Other than Audits or Reviews of Historical Financial Information
ISQC 1	Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements
ISRE 2400 (Revised)	Engagements to Review Historical Financial Statements

#### EFFECTIVE DATE

The Code is effective for audits of financial statements for periods beginning on or after July 1, 2020.

(7)  
Member  
Conduct  
Generally





**MEMBERS' HANDBOOK**

**PART IV**

**7. MEMBER'S CONDUCT-GENERALLY**

**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF PAKISTAN**

## 7.0 Members' Conduct Generally

### CONTENTS

7.01	Use of designations and designatory letters
7.02	Communicate change in address promptly
7.03	Compulsory admission as fellow members ( <i>Withdrawn</i> )
7.04	Members permitted to mark Tick or Cross in Election Ballot Papers
7.05	ICAP Code of conduct policy for general membership usage of social media

## USE OF DESIGNATIONS AND DESIGNATORY LETTERS

"It was decided that there should be no objection to use any qualification and designatory letters against the names of members provided these denoted the qualifications of Universities and Institutes duly recognized by the \*Central Government or the Council of the Institute. The members were, however, advised to use only highest degree in a particular time awarded by a University or an Institute".

### (1<sup>st</sup> meeting of Council - August 17, 1961)

Only designation 'Chartered Accountants' to be used, "in accordance with Section 5 of the Ordinance, members of the Institute could put the words 'ACA' or 'FCA' against their names. Section 7 of the Ordinance, however, provided that every member of the Institute in practice shall and any other member may use the designation of '**CHARTERED ACCOUNTANT**' and no member using such designation shall use any other designation, whether in addition thereto or in substitution therefore, except as laid down in the proviso to that section by which any such person was not prohibited from adding any other description or designatory letters to his name, if entitled thereto to indicate membership of such other Institute of Accountancy, whether in Pakistan or elsewhere, as may be recognized in this behalf by the Council, or any other qualification that he may possess. There is also nothing to prohibit a firm, all the partners of which are members of the Institute and in practice, from being known by its firm name as Chartered Accountants. Cases were brought to the notice of the Council where members of firms of Chartered Accountants were styling themselves as Chartered Accountants (England & Wales) and Chartered Accountants, (Pakistan). The use of the words 'CHARTERED ACCOUNTANTS'(ENGLAND & WALES) with the name of a firm was not considered desirable. The Council resolved that a general directive may be issued to members that:

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\* Now Federal Government

## 7.01

- (a) a firm practicing in Pakistan may use the designation '**CHARTERED ACCOUNTANTS**' but without any explanatory words or letters.
- (b) A member may add after his own name any description or designatory letters to which he is entitled provided that his Pakistani professional qualification shall appear first without any explanatory word.

The Council reconsidered the question of allowing the use of designatory letters against members' names and decided to issue the following revised directive to the members:-

- (a) only the designation 'Chartered Accountants' should be used against the name of practicing firm in Pakistan. No explanatory words or letters should be used after this designation.
- (b) a member may add after this own name any description or designatory letter to which he is entitled provided that his Pakistani qualifications shall appear first 'without any explanatory words.
- (c) Where a partner signs in his individual name on behalf of a firm there would be no objection to his adding recognized foreign qualifications or designatory letters to his personal name (not the name of the firm) but such qualifications or designatory letters may be added after Pakistani qualifications which will appear first without the use of the word "Pakistan".

**(4th meeting of Council August 25, 1962.  
Re-affirmed in 7th meeting - August 30, 1963)**

"The Council approved the qualification of the following organizations for the purpose of Section 7 of the Chartered Accountants Ordinance, 1961 (X of 1961):

## 7.01

- (i) The Institute of Chartered Accountants in England & Wales;
- (ii) The Institute of Chartered Accountants in Ireland;
- (iii) The Institute of Chartered Accountants in Scotland;
- (iv) The Institute of Chartered Accountants in Australia; and
- (v) The Canadian Institute of Chartered Accountants.

This means that only the qualifications of the above accountancy bodies can be used against the names of the members in the manner as specified on preceding page.

### **(7th meeting of Council - August 30, 1963)**

Use of designatory letters ACMA, ACIS (UK), ACCA: "The Council allowed the members to use designatory letters of their professional qualifications like ACMA, ACIS (UK),' ACCA with their names."

### **(64th meeting of Council - December 24, 1981)**

**COMMUNICATE CHANGE IN ADDRESS PROMPTLY**

"Recently, there have been growing complaints about postal mishap and miscommunication of Institute's circulars and notifications to members. In order to serve better the members' interest by making available promptly all communications dispatched from the Institute, the Secretariat will appreciate if the members would keep the Institute informed in writing about any change in addresses. Attention of the members is also invited to Bye-Law 7 of Chartered Accountants Bye-Laws, 1961 which requires the members to inform the Institute of any change of address of place or places of business or employment".

**(Newsletter - December 1981)**

**Members permitted to mark 'Tick' or 'Cross' on election ballot papers**

"The Election Committee appointed for Council's election held in January 1985 had recommended that for future elections both 'CROSS' and 'TICK' marks on the Ballot papers should be acceptable against the existing 'CROSS' marks only. The Council accepted the suggestion".

**(75th meeting of the Council - February 12, 1985)**



## ICAP CODE OF CONDUCT POLICY FOR GENERAL MEMBERSHIP USAGE OF SOCIAL MEDIA

Communication is an important aspect of our personal and professional lives. Technology has given a different dimension to this aspect today. Advent of social media has minimised the distinction among personal, social and professional communication.

As a result, sometimes we face situations that create confusions and due to inappropriate communications, sometimes ethical and legal problems are created, that are contrary to the expectations of the society from the members of a profession known for its high ethical and professional standards. To uphold the high ethical conduct of the members of the Institute that serve public interest and to maintain the reputation of the Institute and the profession, it is considered appropriate to form a policy for the conduct of members of the Institute in this regard.

Therefore, this directive is being issued to ensure decency in communication, confidentiality and prevent infringement of intellectual property of the Institute in relation to the activities carried out by the members on social media forums such as Facebook, WhatsApp, etc.

### 1) **Communication in good taste**

While posting messages on social media, members have to keep the boundaries of decent and respectful communication. The basic principle of respecting the core value of the profession is not to be compromised.

### 2) **Use of ICAP logo on Social Media**

- 2.1 Groups and pages are being made on Facebook, WhatsApp and social media platforms which display ICAP's logos, name and distinctive initials giving the impression that they originate from or are approved by the Institute.
- 2.2 Members are advised to respect the Institute's intellectual property rights by ensuring that the pages and groups **do not use the ICAP logos** or create the impression of being affiliated or appear to be like an official page / group of the Institute.

### 3) **Confidentiality**

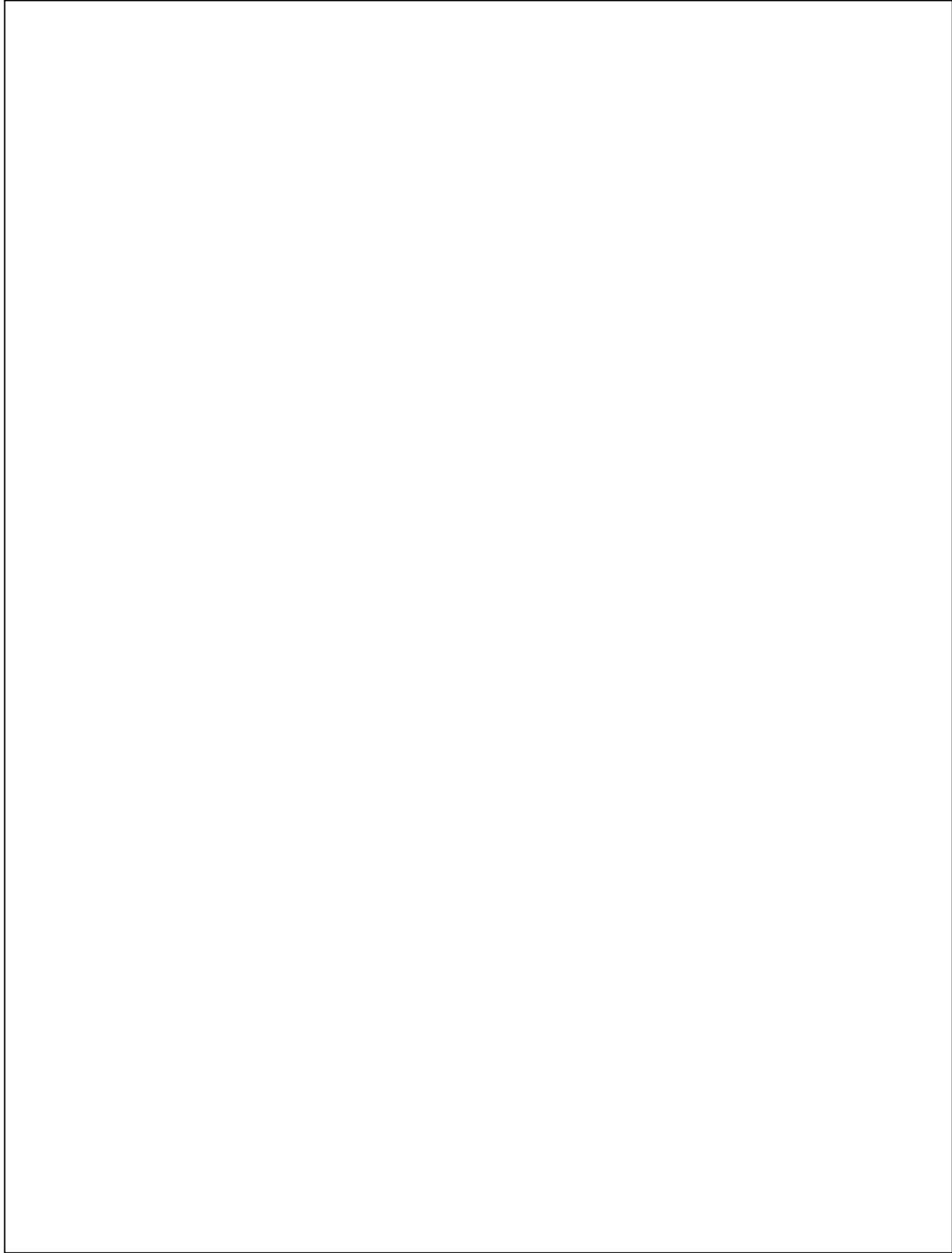
Disclosure of any proceedings of the Council or its Committees/Boards or any official working papers, minutes of meetings, and documents on social media forums which are relating to the affairs of the Institute and are confidential and not publicly available is strictly prohibited.

### 4.) **Be Respectful**

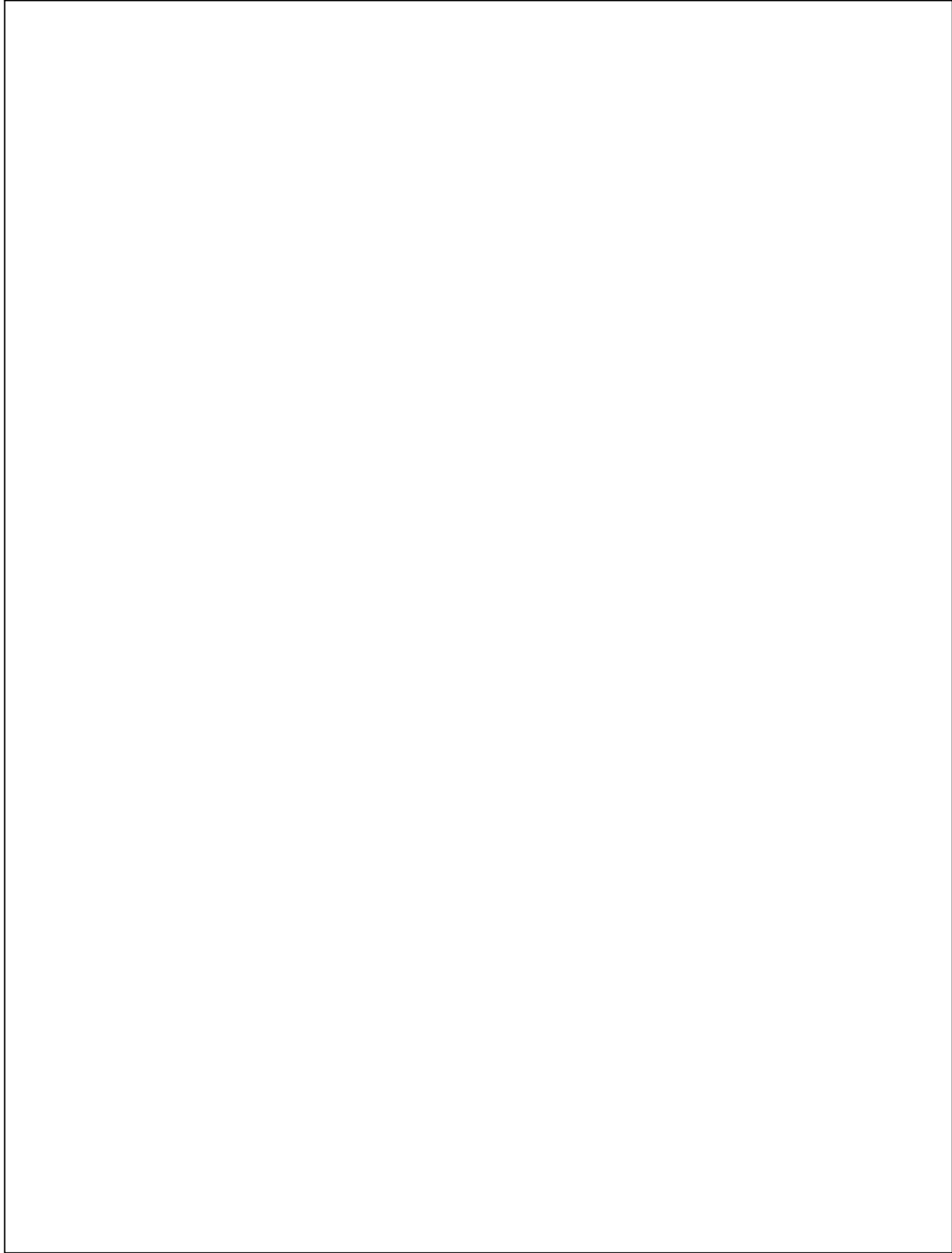
All the Members are advised not to post false or defamatory material on ICAP or any of its Committees, Boards and Council, such as personal attacks, derogatory and disparaging remarks, statements or content that is threatening.

Members are advised to comply with the above requirements while exchanging correspondence and posting messages at social media forums. In case of violation of any of the provisions contained herein, cognizance of the same may be taken for necessary disciplinary action by the Institute under the Code of Ethics for Chartered Accountants and the Chartered Accountants Ordinance, 1961.

(311th meeting of the Council – March 21-22, 2019)



(8)  
Continuing  
Professional  
Development (C.P.D.)



**MEMBERS' HANDBOOK**

**PART IV**

**8. CONTINUING PROFESSIONAL DEVELOPMENT (CPD)**

**THE INSTITUTE OF  
CHARTERED ACCOUNTANTS OF PAKISTAN**

**8. CONTINUING PROFESSIONAL DEVELOPMENT (CPD)**

**CONTENTS**

8.01	Continuing Professional Development (CPD) <b>Revised 2022</b>
8.02	Compulsory Attendance of Practicing Members in Seminars on International Accounting Standards, International Standards on Auditing and Quality Control





**CA**  
PAKISTAN

# **CONTINUING PROFESSIONAL DEVELOPMENT (CPD)**

*Directive 8.01 (Revised 2022)*



# CONTINUING PROFESSIONAL DEVELOPMENT (CPD) DIRECTIVE 8.01 (Revised 2022)

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# CONTINUING PROFESSIONAL DEVELOPMENT

## Preamble

1. The International Federation of Accountants (IFAC) has made it mandatory for its member bodies to design and implement a Continuing Professional Development (CPD) mechanism in such a way that it becomes a component of continued membership for the professional accountants.
2. CPD provides continuing development of the (a) professional knowledge (b) professional skills (c) professional values, ethics and attitudes, and (d) competence achieved during Initial Professional Development (IPD), refined appropriately for the professional activities and responsibilities of the professional accountant.
3. In addition to education, practical experience and training, CPD also includes learning and development activities, such as (a) coaching and mentoring (b) networking (c) observation, feedback and reflective activities and (d) the self-development activities.
4. The objective of this directive is to have chartered accountants develop and maintain professional competence subsequent to IPD through the undertaking of relevant CPD that is necessary, in the public interest, to provide high quality services to meet the needs of clients, employers and other stakeholders.
5. This directive prescribes that members to:
  - a. demonstrate a commitment to CPD and maintain professional competence; and
  - b. undertake and record relevant CPD to contribute to the development and maintenance of professional competence that is necessary to perform their role as a professional accountant.

## 6. Effective date

This directive is effective from **05 January, 2023**.

## CPD Approach

7. The IES-7 states that CPD can be achieved by at least three different approaches:
  - a. Input based approach – by requiring professional accountants to develop and maintain professional competence demonstrated by completing a specified amount of learning and development activity relevant to performing their role as a professional accountant.
  - b. Output based approach – by requiring professional accountants to develop and maintain professional competence demonstrated, by achieving way of learning outcomes, relevant to performing their role as a professional accountant.

- c. Combination approach – by effectively and efficiently combining elements of the input and output based approaches, setting the amount of learning activity required and measuring the outcomes achieved.
8. The Institute has adopted a combination approach before moving towards a comprehensive output-based system.

## Organization

9. The CPD Committee of the Institute has the responsibility of adopting prescribed CPD requirements relating to development and implementation of appropriate measurement monitoring and compliance procedures, promoting the importance of and commitment to lifelong learning and facilitating access to CPD opportunities and resources.
10. Regional Committees are responsible to hold the CPD activities and should update the CPD Central Committee with progress.

## Requirement

11. Every member is required to:
- a. complete at least 120 hours or equivalent learning units of relevant professional development activity in each rolling three-year period, of which 60 hours or equivalent learning units should be verifiable;
  - b. complete at least 20 hours or equivalent learning units in each year; and
  - c. measure and record learning activities to meet the above requirements.

*Explanation: “Rolling Periods” under this directive are periods of three year each, of which first commences from July 1, 2012 till the June of 2015, and so forth:*

- i. On July 1, 2022<sup>1</sup> the short fall in the CPD account maintained at the Institute shall be deemed zero.
- ii. For all other members, proportionate rolling period will commence on first day of the month following the date of admission of a member and will complete on its scheduled date explained in this paragraph. The CPD requirement will be prorated on the basis of 120 hours for three-year period.
- iii. At the end of the rolling period, only 30 hours out of the total shortfall hours will be carried forward to the next rolling period. Members will be required to complete their shortfall hours to avoid any sanctions, as prescribed by the Council. However, the excess hours will not be completely nullified, rather the excess hours accumulated/reported in the last year of the rolling period will be carried forward to the next rolling period not exceeding more than 30 hours.

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<sup>1</sup> First amendments approved by the Council in its 234th meeting held on June 15 & 16, 2012 and later amendments approved by the Council in its 362<sup>nd</sup> meeting held on October 28-29, 2022

## Measurement of CPD Credit Hours

12. The CPD credit hours are to be measured as follows:

S. #	Activity	Evidence to be kept	CPD Credit Hours
a.	Participation in short courses, seminars, conferences, lectures* and trainings relevant to the roles of professional accountant *Excluding classes of degree courses. <sup>2</sup>	Certificates of attendance/course contents in case it is a non-ICAP course	Actual classroom time. For a full day session, a credit of 8 hours and for a half-day session 4 hours, subject to maximum 120 hours in a rolling period. <sup>3</sup>
b.	Completing degree courses and studying professional certification	Degree/ Certification	<u>Professional Qualifications</u> Members bodies of IFAC, CISA, CIA 5 times of the examination hours, subject to a maximum of 120 hours in a rolling period.  <u>Degree Courses</u> As accredited by the HEC approved or Foreign Institute/ University. On completion of a certification/course, 1/3 of actual contact hours. <sup>4</sup> However, the maximum CPD hours that can be given under this head shall be subject to maximum of 120 hours in a rolling period.
c.	Relevant research paper/article (at least 4000 words) published in a peer reviewed journal including ICAP's publication	Original copy of journal/publication	08 hours per article/paper Should not exceed more than 72 hours in a rolling period.
d.	Self-development and Virtual Learning (includes E-learning Courses, webinars/watching videos/CDs of ICAP CPD programs, videos on ICAP DLH) Professional Ethics App ICAP, Mentoring, providing feedback (including reviewing international sponsorship applications) etc.	Self-Certification, Computer generated Certificate, Any other third-party evidence, Attendance/topic(s) to be communicated to the CPD Directorate within 2 weeks of watching CD/Videos	Actual hours determined by Service providers, subject to maximum of 120 hours in a rolling period.

<sup>2</sup> Amendments approved by the Council in its 269<sup>th</sup> Meeting held on October 14 2015

<sup>3</sup> Amendments approved by the Council in its 362<sup>nd</sup> Meeting held on October 28-29, 2022

<sup>4</sup> Amendments approved by the Council in its 269<sup>th</sup> Meeting held on October 14 2015

S. #	Activity	Evidence to be kept	CPD Credit Hours
e.	Presenter or session chairman/moderator in short courses, seminars, conferences, trainings and media including interviews in print media.	To be declared on the Reporting Form	Twice the actual time of the presentation, subject to maximum of 120 hours in a rolling period.
f.	Preparation for teaching relevant professional or degree courses including reading, developing presentations, developing teaching notes and workbooks <sup>5</sup> .	To be declared on the Reporting Form	Actual time consumed in preparation, subject to a maximum of 120 hours in a rolling period.
g.	Participation in Council, Committees, working groups of ICAP/other regulatory bodies, participation as Non-Executive Director in Board and Board Committee of listed companies, <sup>6</sup> professional groups, technical committees, sector activities, communities of practice, information network.	To be declared on the Reporting Form	Actual time of the meeting, subject to a maximum of 120 hours in a rolling period.
h.	Writing of books on professional interest, technical and reference manuals including study pack	Copy of the publication	3 hours per page of technical content. Maximum 60 hours per release, subject to maximum of 120 hours in a rolling period.
i.	General/Self certified readings (relevant to current or future development needs) e.g. journal articles, reports, subscriptions, etc., including visit to ICAP Libraries for such readings.	Reasonable details to be kept	Actual reading time, subject to maximum of 30 hours per rolling period.
j.	On Job learning <sup>7</sup> Assignments and new initiatives that provide new learning for professionals while on job.	Confirmation of employer and details of learning outcomes.	Half of the actual hours spent on the assignments and initiatives, subject to maximum of 60 credit hours in three year rolling period.
k.	Specific learning for Engagement partners <sup>8</sup>	Certificates of attendance	<b>Option A</b> Atleast 30 hours in each rolling period in the area of Audit, Financial reporting and Accounting,

<sup>5</sup> Amendments approved by the Council in its 362<sup>nd</sup> Meeting held on October 28-29, 2022

<sup>6</sup> Amendments approved by the Council in its 269<sup>th</sup> Meeting held on October 14 2015

<sup>7</sup> Amendments approved by the Council in its 269<sup>th</sup> Meeting held on October 14 2015

<sup>8</sup> Amendments approved by the Council in its 362<sup>nd</sup> Meeting held on October 28-29, 2022

S. #	Activity	Evidence to be kept	CPD Credit Hours
			<p>Governance &amp; Risk, Ethics, Corporate Laws, ISA &amp; IFRS.</p> <p><b>Option B</b></p> <p>In compliance with IES 8, specific learning outcomes for Engagement Partners to be covered as mentioned in Table A, Refer Annexure B, page 10</p>

### Exemption to CPD

13. This directive does not apply to the members who fall in following categories:

- a. ill or incapacitated so that he/she cannot perform normal work, however if they do hold the practice license or MRS status then they need to surrender the same before asking for CPD waiver;
- b. Retired from whole time business also life time members;
- c. Career breaks;
- d. Members holding public offices such as Federal Ministers, Provincial Ministers, Advisors to Ministers, Senators, MNAs, MPAs etc., during the currency of their offices; or
- e. for any other which is considered justifiable by the CPD Committee, for the reasons duly recorded. The exemption is only based for the period mentioned, it cannot be given on perpetual basis.

### Verification

A “Verifiable CPD Activity” undertaken by the member must be supported by documentary evidences required to be maintained by the member for one year after the close of rolling period.

A” Non-verifiable CPD Activity” is an activity where a member is unable to prove that the CPD learning activity has taken place. Ordinarily, non-verifiable CPD does not have a defined learning outcome and is not designed to address a specific learning need.

General reading, as defined in paragraph 12(i), is an example of non-verifiable CPD.

### Recording and Monitoring

14. Each member is responsible for maintaining and retaining his CPD records and related evidences. A member may update member’s record maintained by the Institute online or he may keep the information through any other medium. The records maintained by the member should demonstrate that the member understands and complies with the

Regulations. Additionally, CPD Directorate will maintain CPD records only of CPD activities organized by the Institute.

- i. Any Committee within maximum of two weeks of holding the activity, will send the attendance sheet, to the CPD department.

The CPD Directorate will only be responsible for maintaining and uploading record in respect of:

- members participating in CPD activities arranged by Institute;
- member's participation in Institute's Standing and other committees; and
- uploading such CPD data on the website for members to review.

### **CPD Declaration**

- i. A member shall be required to submit annually to the Institute a declaration in a specified format online, confirming member's compliance with this Directive. When requested by the Institute, provide such evidence of compliance as required by the Institute.
- ii. In addition, Engagement Partners will be required to submit the annual declaration of achievements of the Learning Outcome's specified by them confirming their compliance with this Directive.<sup>9</sup> Refer Annexure B, Table A, page 10
- iii. Sample audit will be carried out therefore members are responsible for retaining appropriate records and supporting documents related to their CPD activities<sup>10</sup>.

### **Non-compliance**

15. On non-compliance with the CPD requirement at the end of each year and at the end of three-year rolling period the members will sign a declaration form of non-compliance with a firm commitment to make up the deficit within 120 days<sup>11</sup>.

### **16. Sanctions**

On failure to comply with the requirements of this Directive, the CPD Committee may recommend appropriate sanctions to the Council against the noncompliant members.<sup>12</sup>

(234th meeting of the Council held on June 15 and 16, 2012)

(269th meeting of the Council held on October 14, 2015)

(362nd meeting of the Council held on October 28-29, 2022)

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<sup>9</sup> Amendments approved by the Council in its 362<sup>nd</sup> Meeting held on October 28-29, 2022

<sup>10</sup> Amendments approved by the Council in its 362<sup>nd</sup> Meeting held on October 28-29, 2022

<sup>11</sup> Amendments approved by the Council in its 362<sup>nd</sup> Meeting held on October 28-29, 2022

<sup>12</sup> Amendments approved by the Council in its 362<sup>nd</sup> Meeting held on October 28-29, 2022

Annexure A

**Annual Continuing Professional Development (CPD) Declaration**

Member Name	
Member Number	
Rolling Period	

**Declaration:**

I declare that I comply with the CPD requirements. I have completed a total of \_\_\_\_\_ hours for the rolling period \_\_\_\_ to \_\_\_\_\_. I understand that it is my responsibility to maintain professional competence and my record may be called in for review for which I will provide the requested information.

\_\_\_\_\_  
*Name*

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Date (MM/DD/YY)*



**Table A: Learning Outcomes for the Professional Competence of an Engagement Partner as per IES 8**

Competence Area (IES 8)	Learning Outcomes
(a) Audit	<ul style="list-style-type: none"> <li>(i) Lead the audit through active involvement during all phases of the audit engagement.</li> <li>(ii) Lead the identification and assessment of the risks of material misstatement.</li> <li>(iii) Develop an audit plan that responds to the risks of material misstatement identified.</li> <li>(iv) Evaluate responses to the risks of material misstatement.</li> <li>(v) Conclude on the appropriateness and sufficiency of all relevant audit evidence, including contradictory evidence, to support the audit opinion.</li> <li>(vi) Evaluate whether the audit was performed in accordance with International Standards on Auditing or other relevant auditing standards, laws, and regulations applicable to an audit of the financial statements.</li> <li>(vii) Develop an appropriate audit opinion and related auditor's report, including a description of key audit matters as applicable.</li> </ul>
(b) Financial accounting and reporting	<ul style="list-style-type: none"> <li>(i) Evaluate whether an entity has prepared, in all material respects, financial statements in accordance with the applicable financial reporting framework and regulatory requirements.</li> <li>(ii) Evaluate the recognition, measurement, presentation, and disclosure of transactions and events within the financial statements in accordance with the applicable financial reporting framework and regulatory requirements.</li> <li>(iii) Evaluate accounting judgments and estimates, including fair value estimates, made by management.</li> <li>(iv) Evaluate the fair presentation of financial statements relative to the nature of the business, the operating environment, and the entity's ability to continue as a going concern.</li> </ul>
(c) Governance and risk management	<ul style="list-style-type: none"> <li>(i) Evaluate corporate governance structures and risk assessment processes affecting the financial statements of an entity as part of the overall audit strategy.</li> </ul>
(d) Business environment	<ul style="list-style-type: none"> <li>(i) Analyze relevant industry, regulatory, and other external factors that are used to inform audit risk assessments including, but not limited to, market, competition, product technology, and environmental requirements.</li> </ul>
(e) Taxation	<ul style="list-style-type: none"> <li>(i) Evaluate procedures performed to address the risks of material misstatement in the financial statements in respect of taxation, and the effect of the results of these procedures on the overall audit strategy.</li> </ul>

Competence Area (IES 8)	Learning Outcomes
(f) Information and communication technologies	(i) Evaluate the information and communication technologies (ICT) environment to identify controls that relate to the financial statements to determine the impact on the overall audit strategy.
(g) Business laws and regulations	(i) Evaluate identified or suspected non-compliance with laws and regulations to determine the effect on the overall audit strategy and audit opinion.
(h) Finance and financial management	(i) Evaluate the various sources of financing available to, and financial instruments used by, an entity to determine the impact on the overall audit strategy.  (ii) Evaluate an entity's cash flow, budgets, and forecasts, as well as working capital requirements to determine the impact on the overall audit strategy.
(i) Interpersonal and communication	(i) Communicate effectively and appropriately with the engagement team, management, and those charged with governance of the entity.  (ii) Evaluate the potential impact of cultural and language differences on the performance of the audit.  (iii) Resolve audit issues through effective consultation when necessary.
(j) Personal	(i) Promote lifelong learning.  (ii) Act as a role model to the engagement team.  (iii) Act in a mentoring or coaching capacity to the engagement team.  (iv) Promote reflective activity.
(k) Organizational	(i) Evaluate whether the engagement team, including auditor's experts, collectively has the appropriate objectivity and competence to perform the audit.  (ii) Manage audit engagements by providing leadership and project management of engagement teams.
(l) Commitment to the public interest	(i) Promote audit quality in all activities with a focus on protecting the public interest.
(m) Professional skepticism and professional judgment	(i) Apply professional judgment in planning and performing an audit and reaching conclusions on which to base an audit opinion.  (ii) Promote the importance of the application of professional skepticism during all phases of the audit engagement.  (iii) Apply professional skepticism to critically assess audit evidence obtained during the course of an audit and reach well-reasoned conclusions.  (iv) Evaluate the impact of individual and organizational bias on the ability to apply professional skepticism.  (v) Apply professional judgment to evaluate management's assertions and representations.

Competence Area (IES 8)	Learning Outcomes
	(vi) Resolve audit issues using critical thinking to consider alternatives and analyze outcomes.
(n) Ethical principles	(i) Promote the importance of compliance with the fundamental principles of ethics. <sup>13</sup> (ii) Evaluate and respond to threats to objectivity and independence that can occur during an audit.

<sup>13</sup> The Fundamental Principles, IESBA Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) – 2018 Edition, Section 110.

**COMPULSORY ATTENDANCE OF A PRACTISING  
MEMBER IN SEMINARS ON INTERNATIONAL  
ACCOUNTING STANDARDS, INTERNATIONAL  
STANDARDS ON AUDITING AND QUALITY CONTROL**

On the recommendation of the Professional Standards & Technical Advisory Committee, the Council in its 127<sup>th</sup> meeting held on July 5, 1998, has decided to issue the following directive:-

With immediate effect there would be compulsory attendance of at least one partner of practising firm or the sole proprietor himself or an employee member of such firms, as the case may be, in the seminars/workshops on International Accounting Standards, International Standards on Auditing and Quality Control arranged by the CPD Committees or Quality Control Review Committees of the Institute.

**(127<sup>th</sup> meeting of the Council-July 5,1998)**