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# Newsletter

The Institute of Chartered Accountants of Pakistan

## ICAP's 47th Annual General Meeting

The 47th Annual General Meeting of the Institute of Chartered Accountants of Pakistan will be held on October 16, 2008 at 7:45 p.m. at ICAP House, Karachi.

### President ICAP Visits to Islamabad Office

President ICAP Syed Asad Ali Shah visited the Institute's Islamabad office on September 19, and held a meeting to discuss issues related to members in Rawalpindi and Islamabad.

### Form for the List of Audit Engagements

The Quality Assurance Board (QAB) in its 14th meeting held on August 22, 2008 has approved the Form for list of audit engagements for issuance. The approved Form was sent to the practicing members vide DPSC&E Circular No. 8/2008 dated September 12, 2008. The same is also available for download at the Institute's website at <http://www.icap.org.pk/web/links/253/circulars.php>.

### Self Assessment by the Firms to Determine their ability to Comply with ISQC 1

As ICAP is in the process of adopting ISQC-1 for practicing members for the audits for the year ended June 30, 2010, a self assessment questionnaire was developed and circulated to all practicing members in this regard.

A series of roundtable meetings was also held at Karachi, Lahore and Islamabad to assist members in evaluating their resourcefulness and compatibility for compliance of ISQC-1.

All the discussions held and feedback and comments received in the said meetings have been summarized and compiled in the form of Q&A, especially for study of those members who could not attend the said meetings. This compilation can serve as a valuable learning tool for engagement partners and other senior personnel of the firm(s). Copy of said compilation is available for download at <http://www.icap.org.pk/web/links/253/circulars.php>

### CPD Activities

The Southern Regional Committee of ICAP organized two seminars and one workshop in July and August, 2008.

Workshop on "Financial Analysis and Business Modeling with Excel" conducted on August 30, 2008, was attended by 24 members and 2 non-members.

Seminar on "Taxation of Banking Companies" (An Overview of Seventh Schedule) conducted on August 28, 2008, was attended by 101 members and 24 non-members. S. M. Shabbar Zaidi, FCA was the speaker and Malik Bashir, D.G. LTU Karachi was the session Chairman of the seminar.

Seminar on "E-Filing of Sales Tax/ Federal Excise" conducted on July 30, 2008, was attended by 45 members and 38 non-members. Ifthikhar Qutab, Collector (Hqs) RTO, Karachi, and Shahbano G.M.Khan, Additional Collector, RTO, Karachi were the speakers at the seminar.

The CPD Committee at Islamabad under the Chairmanship of Rashid Ibrahim held a Seminar on "Tax Law Software" on September 10, 2008 at Islamabad. A good number of participants joined the Seminar. The presentation was made by Rehmat Ullah Malik.

## Council's Decisions on Cases of Professional Misconduct

### 1. The following irregularities were noted in the audited accounts of a listed company for the year ended June 30, 2004, which were not addressed by the auditor in his audit report:

#### a. Going Concern Problem

Under para 35 of ISA-570, if the entity is not able to continue as a going concern, and still the financial statements have been prepared on a going concern basis, the auditors are required to express an adverse opinion, but instead of expressing an adverse opinion, the auditor had just qualified his report.

#### b. Non-verification of Assets, Liabilities & Reserves

Under para 38 of ISA-700, the auditor is required to express a disclaimer of opinion, when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements, but instead of expressing a disclaimer of opinion, the auditor had just qualified his report.

#### c. Non-provision for Depreciation

The depreciation was not charged for the year because the factory remained closed. According to TR-11, idle, reserve or stand-by assets should also be depreciated, subject to the periodical review of the useful life of such property, plant and equipment as stated in paragraph 41 to 52 of IAS-16. However, the auditor had not qualified his report to the members on this issue.

After the investigation proceedings, the Investigation Committee found the engagement partner, Mr. Muhammad Sharif Awan, FCA, guilty of professional misconduct under the following Clauses of Part 4 of Schedule I of C.A. Ordinance, 1961:

- i) Clause (3), for non-compliance of the Council's directives contained in TR-5, according to which, the auditor while expressing an opinion on published financial statements, should satisfy himself that they do comply with IASs in all material respects and that in the event of any

departure from or inconsistency with such standards, the auditors' report should contain suitable qualification.

- ii) Clause (5), for being an act or default discreditable to a member of the Institute.

The report of the Investigation Committee was considered by the Council, and after deliberations, the Council at its 193rd meeting on November 7, 2007 concurred with the findings of the Investigation Committee, and resolved to reprimand Mr. Muhammad Sharif Awan with name.

### 2. While reviewing Para 17 of the Statement of Compliance with the Code of Corporate Governance attached with the annual accounts of a listed company for the financial year ended June 30, 2005, it was noted that the Company had outsourced some internal audit function to M/s Mushtaq & Co., Chartered Accountant (external auditors of the company). Circular No. 2/2002 dated May 18, 2002 of ICAP restricts the auditors to provide the aforesaid services to the listed Companies:

During investigation proceedings, the engagement partner, Mr. Shahabuddin Ahmad Siddiqui, FCA, explained that M/s Mushtaq & Co., had not accepted internal audit function of the company. He said that the statement made in para 17 of the Statement of Compliance with the Code of Corporate Governance, by the management of the Company, was as a result of printing mistake made by the printer.

The Council at its 196th meeting held on May 6, 2008, decided that although, there was no requirement for the auditor to compare the printed accounts and identify the misprinting. However, being a member of the Institute, he was required to adhere to the opinion dated July 6, 2002 published by Technical Advisory Committee of ICAP, in Volume VIII, according to which the auditor should communicate forthwith with the clients and inform them about the misstatement/printing errors in the financial statements. Further the auditors should also advise their clients to inform the SECP and



the relevant Stock Exchange about the misstatement/printing errors in the financial statements.

Since Mr. Shahabuddin Ahmad Siddiqui had not adhered to the above mentioned opinion of ICAP, the Council found him guilty of professional misconduct under clause (5) of Part 4 of Schedule I of the C.A. Ordinance, 1961, for an act or default discreditable to a member of the Institute and resolved to reprimand him with name.

**3. The Investigation Committee noted that the following irregularities in the audited accounts of a listed company for the year ended December 31, 2001 were not addressed by the auditor in his audit report:**

- (a) Rs.15.773 million and Rs. 8.750 million have been shown as Paid-up capital in Note 3 to the accounts, although the properties received in consideration against the issue of these shares were not mutated and registered in the name of the Company, which is contravention of Section 91 of the Companies Ordinance 1984.
- (b) Further more, Rs. 36.327 million have been shown as "Advance received against issue of Right Shares", although the properties received in consideration thereof, were not mutated and registered in the name of the Company.

After the deliberations, the Council discussed the matter at its 197th meeting on July 25, 2008 and was of the opinion that since the issue as stated above was not addressed by the auditor in his audit report, it had a material impact on the true and fair view of the financial statements.

In view of the above, the Council found the auditor, Mr. Fida Hussain R. Merchant, guilty of professional misconduct under Clause 3 and 5 of Part 4 of Schedule I of the Chartered Accountants Ordinance, 1961 and therefore, decided to remove his name from register of members for a period of six months.

## IFAC News

### New IAASB Audit Practice Alert Focuses on Fair Value Accounting Estimates

To assist auditors in addressing the challenges of auditing fair value accounting estimates, the staff of the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board under the auspices of the International Federation of Accountants (IFAC) has released an [audit practice alert](#). The alert was developed following consultation with the IAASB's Task Force on Fair Value Auditing Guidance, which is considering the need for new or modified guidance in light of current marketplace issues.

The purpose of the alert is to highlight areas within the International Standards on Auditing (ISAs) that are particularly relevant in the audit of fair value accounting estimates in times of market uncertainty.

James Sylph, Executive Director, Professional Standards, noted, "Recent events in some of the world's largest financial markets continue to call attention to the difficulties in establishing fair values. This Staff Audit Practice Alert responds to calls from the Financial Stability Forum and others for further guidance on the audit of fair value accounting estimates. I believe this alert will be relevant to auditors of entities of all sizes as they prepare for the next audit season."

The alert also directs auditors to the recently revised ISA 540 (Revised and Redrafted), ***Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures***, which was influenced by the changes in the credit markets during 2007. While not effective until audits of financial periods commencing on or after December 15, 2009, it includes guidance that is likely to be useful to auditors planning their 2008 engagements.

The practice alert, ***Challenges in Auditing Fair Value Accounting Estimates in the Current Market Environment***, may be downloaded free of charge from the IFAC website ([www.ifac.org](http://www.ifac.org)). For more information on the other IAASB initiatives with regard to fair value, please visit <http://www.ifac.org/IAASB/ProjectHistory.php?ProjID=0080>

#### Job Opportunities for Chartered Accountants

A qualified Chartered Accountant to act as Finance Controller for a growing Pharmaceutical Company with minimum 1 year experience in any industry.

Interested candidates can send their CVs at: [hr@raufayoob.com](mailto:hr@raufayoob.com)  
Rauf Ayooob & Company, Chartered Accountants, Karachi.  
Phone: 2444471-72



## Approved Training Organizations

The following CA Firms have been registered as Training Organizations by the Institute:

S.No.	TO Code	Name of Firm	Style	City	No. of Approved Training Offices
01.	TO-122	Moochhala Gangat & Co.	Partnership	Karachi / Lahore	2
02.	TO-123	Aamer Amin & Co.	Sole Proprietor	Peshawar	1
03.	TO-124	Talat Mehboob & Co	Sole Proprietor	Faisalabad	1

## Welcome!

### New Fellow/Associate Members

Following individuals have recently been admitted as Fellow/ Associate members of the Institute:

#### Fellow Members

	5389	Amin, Fayyaz	5347	Mansoor, Sohail
	5370	Amlani, Farrukh	5402	Misbah, Syed Muhammad
<b>R-No.</b>	5340	Ansari, Arqam Ashfaq	5345	Mukhtar, Rashid
<b>Name</b>	5388	Anwar, Ayesha	5365	Munir, Kashif
2747	5358	Anwar, Mansoor	5368	Mustafa, Adil
2826	5403	Arain, Muhammad Farooq	5380	Nawaz, Raheel
1996	5363	Asghar, Mobeen	5384	Pathan, Fahad Ali Khan
2847	5346	Awan, Omar Nawaz	5359	Rao, Muhammad Fahim
2953	5335	Channa, Nisar Ahmed	5364	Rasheed, Rizwan
2848	5401	Durrani, Muhammad Idrees	5392	Rashid, Muhammad
2674	5379	Fahad, Syed Muhammad	5390	Sadruddin, Salim
2686	5394	Frooghi, Rashid	5342	Salah Uddin, Syed Muhammad
2850	5339	Gadar, Iftikhar	5371	Saleem, Shahzad
2415	5404	Haider, Iftikhar	5373	Sarver, Muhammad Imran
2779	5398	Haleem, Muhammad	5375	Sarwar, Azeem
2669	5341	Hasan, Tauqir	5362	Shafique, Salman
2840	5397	Hassan, Muhammad Muavia	5385	Shah Rukh
2815	5377	Hussain, Adnan Aftab	5356	Shiraz, Faisal
2821	5344	Hussain, Shahzad	5352	Shuja-ul-Mulk
	5349	Imran ul Haq	5366	Sohail, Rizwan
	5334	Jafri, Hassan Ali	5374	Sohail, Saqib
	5386	Javed, Makhdoom Faisal	5353	Sultan, Moeid
	5399	Kazmi, Mubeshir Ali	5357	Talreja, Ameer Kumar
	5391	Keshvani, Mohammad Imran	5400	Tanwari, Adnan Rafique Ahmed
	5372	Khalid, Muhammad Sibghatullah	5383	Umer, Rehan
	5382	Khan, Babar Najeeb	5336	Usman, Sameer Suleman
	5360	Khan, Hoor Saifullah	5354	Vasnani, Ali Asghar
	5337	Khan, Muhammad Faisal	5405	Waqas, Saad
	5396	Khan, Shahzaib Masud	5378	Warsi, Assad Kamil
	5381	Kirmani, Ali Raza	5393	Zafar, Muhammad Rizwan
	5350	Mahmood, Qaisar	5376	Zaidi, Syed Maqbool Hussain
	5355	Malik, Muhammad Mohsin		

#### Associate Members

<b>R-No.</b>	<b>Name</b>			
5387	Abbas, Khawaja Nadeem	5386	Javed, Makhdoom Faisal	5353
5369	Abdul, Sattar Yameen	5399	Kazmi, Mubeshir Ali	5357
5351	Ahmad, Kamran	5391	Keshvani, Mohammad Imran	5400
5348	Ahmad, Muhammad	5372	Khalid, Muhammad Sibghatullah	5383
5395	Ahmad, Waqass	5382	Khan, Babar Najeeb	5336
5367	Ahmed	5360	Khan, Hoor Saifullah	5354
5361	Ahmed, Adeel	5337	Khan, Muhammad Faisal	5405
5338	Ahmed, Talal Javed	5396	Khan, Shahzaib Masud	5378
5343	Akbar, Ali	5381	Kirmani, Ali Raza	5393
5406	Ali, Adeel	5350	Mahmood, Qaisar	5376
		5355	Malik, Muhammad Mohsin	

## Continuing Professional Development (CPD) Programme

Date	Seminar / Workshop	Speaker	Venue
<b>Held</b> September 10, 2008	Seminar on Tax Law Software	Rehmat Ullah Malik	Islamabad
<b>Planned</b> October 25, 2008 October, 2008	Financial Analysis and Business Modeling wit Excel Global Financial Crisis	To be announced Dr. Irshad Hussain Director IBA	Karachi Karachi