



**The Institute of
Chartered Accountants
of Pakistan**

**CA
PAKISTAN**

HEAD OFFICE

ICAP/QAD/000024/98538/Circular-01/2022

October 31, 2022

ALL MEMBERS OF THE INSTITUTE

Dear Member,

QUALITY ASSURANCE BOARD REPORT 2022

We are pleased to enclose the Report of the Quality Assurance Board (QAB) for the year 2022.

The report provides an overview of the Quality Control Review (QCR) program and QAB activities during the period from July 01, 2021 to June 30, 2022 and may be downloaded from the Institute's website by accessing the following link:

<https://icap.org.pk/quality-assurance/qcr-documents/qab-report/>

Yours truly,

Asad Iqbal
Deputy Director Quality Assurance

Encl. As above

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

QUALITY ASSURANCE BOARD

REPORT 2022



The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN



QAB Report 2022

This Report provides an overview of the activities of the Quality Assurance Board (QAB) of the Institute of Chartered Accountants of Pakistan (the Institute) during the year ended June 30, 2022 towards its efforts for enhancement of quality within the audit profession in Pakistan in accordance with the requirements of the Quality Control Review (QCR) Framework.

The report is not designed to provide assurance regarding audit firms' quality control systems or assurance work, or quality of the auditing profession in its entirety. The focus of this report is to provide an overview of more prevalent observations reported during the year under review to help drive a broader and proactive improvement strategy in areas where it is required the most.

Disclaimer

This report has been prepared for general information only. The information in this report does not constitute professional advice and should not be acted upon without obtaining specific professional guidance.

The Institute, the Quality Assurance Board and the Quality Assurance Department accept no liability and disclaim all responsibility for the consequences of anyone acting or refraining from acting in accordance with the information contained in this report or any decision based on it.

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Message from the Chairman Quality Assurance Board



I am pleased to present the report of the Quality Assurance Board (QAB) for the year 2022.

Objective of the Quality Control Review (QCR) is to enhance the quality of audits and credibility of the accountancy profession in public interest by ensuring that the audit engagements are conducted and the audit reports are issued in accordance with the applicable International Standards on Auditing (ISAs) and the regulatory requirements and that the firm's system of quality control is designed and implemented in accordance with the applicable International Standards and ethical requirements.

The audit practices have been evolving globally with enhanced supervision and oversight by the regulatory bodies. In such a scenario, keeping up with the best practices to maintain quality is becoming a difficult task. The audit firms need to focus on key challenges faced by them for achieving high quality in audits and reporting in order to not only meet but exceed the Stakeholder's expectation. The International Auditing and Assurance Standards Board's new standard on quality management presents an opportunity for the firms to revisit their quality control systems with the goal of identifying the applicable risks that affect audit quality and designing and implementing controls to effectively address those risks. Audit firms should also seriously consider enhancing their investment in Information Technology and human resources to prepare themselves to meet these challenges and minimize their risk exposure.

During the year ended June 30, 2022, the Quality Assurance Department (QAD) reviewed 46 firms (2021: 52) out of which 29 QCRs (2021: 28) were concluded and the rest are in progress. Out of these 29 firms, QCRs of 8 firms (2021: 08) were concluded as Unsatisfactory. As of June 30, 2022, the number of audit firms in the '*List of Practicing Firms having Satisfactory QCR Rating*' was 120 (2021: 124).

The documentation in respect of the 'System of Quality Control' prevalent in the audit firms was also reviewed as part of the review process.

Due to increase in demand for audit professionals globally, the hiring and retention of qualified staff in the QAD is a greater challenge than ever before. Staff turnover coupled with the effects of Covid have resulted in QCR pendency. In this respect, various options are being explored to ensure conclusion of the outstanding QCRs as soon as possible and timely completion of the QCRs in future. Despite these constraints, in order to maintain the audit quality benchmarks, the QAD continued its approach of an extensive review during QCRs and presented its detailed findings to the QAB. During the year, out of the eight appeals concluded by the Appellate Board, decisions of QAB were upheld in six of these appeals.

As part of its priorities, QAB has initiated work on documentation of the QCR processes in order to identify the areas for improvement in line with the best practices. In this respect,

work on development of a comprehensive Policies & Procedures Manual is in progress. Work on automation of the QAD's processes is also under way whereby efforts are being made for compilation of data and generation of review findings report through IT applications.

In order to increase awareness and for guidance of the members, detailed checklists for reviewing compliance with provisions of auditing and quality standards have been uploaded on the ICAP website. This step will significantly help the practicing members in following the relevant requirements.

The QAB also remains in close coordination with Audit Oversight Board for matters that pertain to public interest.

Lastly, on behalf of QAB, I acknowledge the courtesy and co-operation extended by the firms and their staff who were subjected to QCR during the period under review and the support extended by QAD to the Board for effective discharge of its responsibilities.

Farid ud Din Ahmed, FCA
Chairman,
Quality Assurance Board

Overview of Results of Quality Control Reviews (QCRs)

Introduction

A summary of the review activities undertaken during the year ended June 30, 2022 along with a brief description of the QCR process, is reflected in this section.

Scope of review

The QCR includes an engagement review and a review of the system of quality control within that firm. In reviewing an audit firm, all locations of the firm and at least 50% of the audit partners of that firm are selected for engagement review.

Quality Control Reviews

The table below summarizes details of QCRs concluded during the year 2021-22:

Particulars	2021-22	2020-21
Audit Firms Reviewed	29	28
Number of Engagements Reviewed	68	89
Number of Locations Covered	41	35

During the year, QCRs of forty-six (46) audit firms were conducted and twenty-nine (29) QCRs were concluded. Out of 29 QCRs of firms, 21 firms were ranked Satisfactory whereas 8 firms were ranked as Unsatisfactory, as reflected in the following chart:



As of June 30, 2022, 120 firms were on the Institute's 'List of Firms having Satisfactory QCR Rating'.

Summary of Engagement Reviews

The following table summarizes assessment of individual audit engagements reviewed over the last five years:

Year	Listed		Other than listed		Total
	Satisfactory	Unsatisfactory	Satisfactory	Unsatisfactory	
2021-22	5	14	28	21	68
2020-21	11	12	45	21	89
2019-20	98	15	118	48	279
2018-19	10	4	42	12	68
2017-18	31	9	99	46	185

Summary of Observations

Following is the summary of significant observations, noted during QCRs of firms conducted during the year:

1. Audit Report

- a. The auditor's report mentioned that zakat deductible under the Zakat & Ushr Ordinance, 1980 was deducted and paid, in cases where no dividend was declared or paid during the current or last year.
- b. Two statement approach was followed, a statement of comprehensive income was presented separately from the statement of profit or loss account. However, the audit report mentions just one statement as a statement of profit or loss and other comprehensive income.
- c. The drafting of the audit report was not in accordance with the Auditors' (Reporting Obligations) Regulations, 2018 and several errors were observed in the audit report.
- d. The auditor's report does not include section relating to Information Other than the Financial Statements and Auditor's Report thereon as required by Auditors (Reporting Obligations) Regulations, 2018 and ISA 720 "The Auditor's Responsibilities Relating to Other Information" in documents containing audited financial statements.
- e. Auditor has expressed a modified audit opinion, however, its impact on the "Report on other Legal and Regulatory Requirements" in the audit report was not considered.
- f. Various instances were noted where the auditor:
 - i) in case of material misstatement did not include the description and quantification of the financial effects of the misstatement in the basis for qualified opinion; or,
 - ii) in case of an inability to obtain sufficient appropriate audit evidence, the auditor did not include in the basis for qualified opinion section, the reasons for that inability.

2. Planning and Risk Assessment

2.1 Audit Materiality

- a. Instances were observed where the auditor failed to determine the performance materiality level for the purpose of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures in accordance with paragraph 11 of ISA 320.

- b. In few cases, the auditor did not document the factors considered in determining materiality and performance materiality levels in accordance with paragraph 14 of ISA 320.

2.2 Fraud risk assessment

As required by ISA 240, no documentation was available with respect to auditor's fraud risk assessment including:

- a. The significant decisions reached during the discussion amongst the engagement team regarding the susceptibility of the entity's financial statements to material misstatement due to fraud.
- b. The overall responses to the assessed risks of material misstatement due to fraud at the financial statement level, the nature, timing and extent of audit procedures, and the linkage of those procedures with the assessed risks of material misstatement due to fraud at the assertion level.
- c. Results of the audit procedures, including those designed to address the risk of management override of controls, test of journal entries, evaluation of management judgments and assumptions related to significant accounting estimates and evaluation of significant transactions that are outside the normal course of business.

2.3 Risk Assessment and Responses to Assessed Risks

- a. Appropriate risk assessment procedures were not performed and / or understanding of the business processes and transactions and relevant controls was not obtained as required under ISA 315 'Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment'. Analytical procedures were not performed as risk assessment procedures as required under ISA 315.
- b. In the cases of companies whose business was significantly dependent on the usage of information technology, no documentation was available in respect of general information technology controls and information technology application controls as required under ISA 315.
- c. Instances were observed where the auditor only documented the key elements of the understanding obtained regarding each of the aspects of the entity and its environment in the form of a checklist without documenting the sources of information from which the understanding was established; and the risk assessment procedures performed in accordance with paragraph 32 of ISA 315.
- d. Test of controls were not performed in cases where substantive procedures alone did not provide sufficient appropriate audit evidence in accordance with paragraph 8 of ISA 330 'The Auditor's Responses to Assessed Risks'.

3. General Principles and Responsibilities

3.1 Acceptance and Continuance

- a. The audit file did not contain documentation to evidence the performance of appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements as required by paragraph 12 of ISA 220.
- b. It was observed that the mandatory rotation requirement was not complied with as prescribed by the Code of Corporate Governance and the Code of Ethics for Chartered Accountants.
- c. Policies for acceptance and continuance were available with the firm, however, no documentation, including client acceptance and continuation checklist was available to assess the implementation of such policies.

3.2 Communication with those charged with governance

No documentation was available in the working papers regarding communication with those charged with governance in accordance with ISA 260.

3.3 Consideration of laws and regulations

There was no documentation in the audit file regarding the assessment made by the engagement team as to whether the entity was in compliance with laws and regulations as required by ISA 250.

3.4 Engagement Letter

- a. The engagement letter did not include reference to the expected form and content of the auditor's report as per paragraph 10(e) of ISA 210. Further, a statement that there may be circumstances in which a report may differ from its expected form and content, as required by paragraph 10(f) of ISA 210 was missing.
- b. In some cases, it was observed that the engagement letter included reference to the repealed Companies Ordinance, 1984 whereas applicable financial reporting framework was defined under the Companies Act, 2017.

4. Audit Evidence and Documentation

4.1 Journal entry testing

- a. The auditor did not perform journal entry testing as required under paragraph 33 (a) of ISA 240.

- b. Completeness of the population of journal entries subject to the journal entry test was not assessed as required by paragraph 9 of ISA 500.

4.2 External Confirmations

Paragraph 6 of ISA 505 defines External Confirmation as audit evidence obtained as a direct written response to the auditor from a third party (the confirming party) in paper form, or by electronic or other medium. Further, paragraph 16 of ISA 505 read with the related application and other explanatory material requires the auditor to evaluate whether results of the external confirmation procedures provide relevant and reliable audit evidence. In this respect, following observations on engagement team's procedures over external confirmations were noted:

- Evidence of direct receipt of confirmations could not be verified and it was unclear whether the response has been received before signing of the auditor's report.
- Evidence of sending confirmations was not found in the file.
- Some bank confirmations were not available in the engagement file nor were there any alternate procedures mentioned to check existence of the account.
- Bank confirmation was addressed to the Company instead of the auditor.

4.3 Contingencies and commitments

- a. In the note relating to Contingencies in the financial statements, following disclosure in respect of litigation as required under Clause 30 of Fourth Schedule to the Companies Act, 2017 was not made:
 - The date on which the case was instituted
 - Description of factual basis of the proceedings and relief sought
- b. There were no working papers / documentation in respect of work performed on the section of contingencies and commitments. Further, no evidence could be found whereby it could be established that external confirmation was circulated to the legal advisor.

4.4 Cut-off procedures

There was no evidence of performance of cut off procedures at year end in the audit working paper files.

4.5 Omitted Liability Testing

The auditor did not perform Omitted Liability Testing procedure to ensure completeness assertion i.e., *“all liabilities that should have been recorded have been recorded”* as required under ISA 315.

4.6 Opening Balances

Instances were noted where no evidence of work done was available on opening balances as required under ISA 510.

4.7 Property, Plant and Equipment

- a. No documentation was available in the audit file where engagement team had performed procedures to verify the completeness and existence of property, plant and equipment.
- b. It was observed that no procedures were performed to check the reasonableness of the depreciation rates used to calculate the depreciation expense as required by paragraph 18 of ISA 540. Furthermore, no documentation was available in audit working paper file to ensure proper bifurcation of depreciation expense into direct and administration expenses.

4.8 Audit Sampling

- a. The sampling technique and sampling criteria were not documented as required under ISA 530. It was also observed that the basis of sample size to perform test of details was not documented as required under paragraphs 6-8 of ISA 530.
- b. Instances were also observed where the auditor did not perform audit procedures on each item selected in accordance with paragraph 9 of ISA 530.

4.9 Inventory

- a. Sufficient appropriate audit documentation was not available with respect to the valuation of inventory. Instances were observed where no documentation was available to ensure that cost of inventory was calculated in accordance with the cost formula used i.e., FIFO and weighted average cost. No documentation was available to ensure that overheads were appropriately allocated to work in process and finished goods inventory. Sufficient appropriate documentation was also not available to assess the Net Realizable Value of inventory.
- b. The accounting policy for recognition and measurement of inventory was not disclosed in the financial statements.
- c. No documentation was available to assess the adequacy of provisioning for slow-moving / obsolete items in respect of stores, spares and stock in

trade. Further, no record was available to substantiate that the auditor has reviewed aging of stores, spares and stocks.

4.10 Gas Infrastructure Development Cess (GIDC)

In few cases it was noted that requirements of the GIDC Act 2015 were applicable on a company being an industrial consumer of gas, however, provision for GIDC was not recorded in the financial statements.

Further, it was also observed that in some cases, there was no documentation in the engagement file with respect to applicability of GIDC on the company.

4.11 Implications of IFRS 9

There was no documentation with regard to assessment of implication of IFRS 9 in many cases. Few instances showed that the auditee company had trade debts which were not assessed for impairment under the Expected Credit Loss (ECL) model nor was any provision booked in the financial statements related to trade debts.

4.12 Revenue including implications of IFRS 15

- a. Appropriate documentation in respect of compliance with the requirements of IFRS 15 regarding Revenue was not available in the audit working paper file.
- b. No documentation was available in the audit file where the auditor had verified the completeness and cut-off of the revenue transactions recognized during the year.
- c. The accounting policy for revenue was not in line with IFRS 15 as the auditee company did not mention that the basis of recognition will be related to satisfaction of performance obligations.
- d. It was noted that risk in revenue recognition was not marked as a significant risk and hence no documentation was available for understanding of the entity's related controls in accordance with ISA 240.

4.13 Cost of Sales, administrative and other expenses

- a. Instances were noted where appropriate audit procedure was not performed for verification of purchases of stock in trade and stores, spares and loose tools.
- b. Appropriate documentation was not available for verification of payroll expenses, only monthly details of salaries and wages were available in the audit file and the particulars of transactions tested were not stated in working papers as required by paragraphs 8 & 9 of ISA 230.

- c. No tax was withheld by the auditee company from salaries and wages under Section 149 as per requirements of the Income Tax Ordinance.

4.14 Deferred Tax

Following unusual items were noted with respect to deferred tax calculations in respect of which no rationale was documented in the audit file:

- a. It was observed that the entity did not recognize deferred tax liability for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, in accordance with paragraph 39 of IAS 12.
- b. Instances were noted where appropriate documentation, including computation of deferred tax recognized, was not available. Instances were also noted where tax bases of assets used in deferred tax computation were not reconciling with carrying value of assets in tax return.
- c. The entity had recognized deferred tax asset on unused tax losses and unused tax credit, however no documentation including future projections were available in audit file to evaluate whether future taxable profits would be available against which the unused tax losses and unused tax credit can be utilized.

4.15 Related Parties

It was stated in the financial statements that the related party transactions were carried out at arm's length, however, no audit procedures were documented for verification of the same as required by paragraph 24 of ISA 550.

4.16 Employee Benefits

- a. Instances were noted where the entity did not recognize provision for staff retirement benefits as required by the applicable legal requirements.
- b. The audit evidence for verification of completeness and accuracy of underlying source data used for actuarial valuation and actuarial assumptions was not available in the working papers which was required by paragraphs 9 and A49-A51 of ISA 500 'Audit Evidence'.
- c. Instances were noted where retirement benefits were determined only for a class of employees such as permanent employees, or the employees who have spent a minimum number of years with the company, which was not in accordance with the requirements of law of the province / jurisdiction in which it operated.

- d. Provision for gratuity was determined as product of last drawn salary and number of years of service without considering actuarial assumptions as required under IAS 19 'Employee Benefits'.

4.17 Investments in subsidiary, joint venture and associates

With respect to investment in subsidiary, associates and joint venture, following observations were noted:

- a. Appropriate documentation was not available to assess the control or significant influence over the investee company to conclude on the recognition of investment as investment in subsidiary or investment in associate.
- b. Appropriate documentation was not available to assess the investment in subsidiaries, joint venture and associates for impairment in accordance with IAS 36.
- c. Instances were noted where the auditor did not perform audit procedures required by ISA 600 'Special Considerations—Audits of Group Financial Statements (Including The Work of Component Auditors)' with regard to audit of group financial statements.
- d. In some instances, it was also noted that the entity being parent company did not prepare consolidated financial statements in accordance with IFRS 10 and Companies Act, 2017.

4.18 Investment property

In some instances, it was observed that the company held property to earn rentals or for capital appreciation or both, however such property was incorrectly classified as property, plant and equipment instead of Investment property in accordance with IAS 40.

5. Presentation and Disclosure

5.1 Disclosure deficiencies with regard to International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS) and IFRS for Small & Medium Entities (SMEs)

During reviews, disclosure deficiencies were noted with respect to following IFRS / IAS and IFRS for SMEs:

- a. IFRS 7 'Financial Instruments: Disclosures' (categorization and financial risk management) and section 11 'Basic Financial Instruments' of IFRS for SMEs (categorization & accounting policy)
- b. IFRS 12 'Disclosure of Interests in Other Entities'.

- c. IFRS 13 'Fair Value Measurement' (fair value hierarchy).
- d. IAS 1 'Presentation of Financial Statements' (comparative disclosures including third statement of financial position, critical accounting estimates and judgements and capital management). The companies either corrected material prior period errors, applied a change in accounting policy retrospectively or made major reclassification(s), however, a third statement of financial position as at the beginning of the preceding period was not presented as required under IAS 1.
- e. IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (standards issued but not yet effective and possible impact of these new pronouncements).
- f. IAS 12 'Income Taxes' (relationship between tax expense and accounting income and the deductible temporary differences for which no deferred tax asset is recognized). Also amount of deductible temporary difference in respect of deferred tax asset not recognized, was not disclosed in financial statements in accordance with paragraph 81 (e) of IAS 12.
- g. IAS 19 'Employee Benefits' (actuarial assumptions used, sensitivity analysis and the expected contributions for the next period).
- h. IAS 24 'Related Party Disclosures' (appropriate disclosure for related party transactions was not made in accordance with paragraph 18 of IAS 24 and Fourth/Fifth Schedule of Companies Act, 2017).

5.2 Disclosure Deficiencies with regard to Fourth and Fifth Schedules to the Companies Act, 2017

Disclosure deficiencies were noted with respect to compliance with the Fourth and Fifth Schedules to the Companies Act, 2017:

- a. Remuneration of chief executive, directors and executives.
- b. Loan and advances given / received to / from directors, parent and associates.
- c. Basis of relationship such as common directorships or percentage of shareholding of associates and related parties.
- d. Forced sale values of property carried at revalued amounts.
- e. Breakup of remuneration of auditors.
- f. Share capital differentiating between those issued for cash or other than cash.
- g. Disclosure regarding contingencies.

6. Review of Firm's System of Quality Control

6.1 Engagement Quality Control Review (EQCR)

- a. The firm's policies and procedures manual did not include clear requirement for conducting an EQCR in respect of audit of financial statements of listed entities as per requirements of the International Standard on Quality Control (ISQC).
- b. It was observed that confirmation of independence was not documented for the EQC Reviewers in respect of the engagements where such reviewers were involved by the firm.
- c. No audit documentation was available as to how safeguards were applied to deal with the aspects of objectivity of EQC Reviewer and to ensure that the same was not impaired as required under paragraphs 39 and 40 of ISQC-1. Paragraph 41 of ISQC 1 requires replacement of EQC Reviewer in cases where reviewer's ability to perform an objective review may be impaired. It was noted that the firm's policies and procedures manual did not cover this aspect of ISQC 1 and accordingly, compliance could not be verified in this respect.
- d. In respect of EQCR checklists included in the ISQC documentation, we noted that these checklists were not signed and dated by the EQC Reviewer and accordingly there was no evidence that such review was conducted by the designated EQC Reviewer.
- e. EQCR of the audit file was either not conducted, or was conducted ineffectively and therefore, was not in accordance with the requirements of ISQC-1 and ISA 220 'Quality Control for an Audit of Financial Statements'.
- f. There was no document in the working paper files to evidence that the EQC Reviewer performed an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the auditor's report as required under paragraph 20 of ISA 220.
- g. It was not clear from engagement quality control documentation available in the audit file as whether the following aspects were covered under the EQCR:
 - i) engagement team's evaluation of the firm's independence.
 - ii) significant risks identified and the responses to those risks, including the assessment of fraud risk.
 - iii) judgments made, particularly with respect to materiality and significant risks.

- iv) whether appropriate consultation has taken place and the conclusions arising from those consultations.
- v) the matters communicated to those charged with governance and other parties, where applicable.
- vi) whether audit documentation selected for review supports the conclusions reached.

6.2 Independence and relevant ethical requirements

Documentation to assess compliance with independence and relevant ethical requirements was not available in the audit file with respect to the audit engagements.

6.3 Annual Performance Evaluations and Trainings

It was noted that annual performance evaluations and appraisals were not available for our review to demonstrate that the firm has implemented policies and procedures to ensure that it has sufficient personnel with the competence, capabilities and commitment to perform engagements in accordance with applicable legal and regulatory requirements as required by paragraphs 29-31 and A24-29 of ISQC-1.

Furthermore, appropriate documentation was not available with regard to training of firm's personnel.

6.4 Consultation on Issues

Instances were noted whereby adequate documentation was not available in respect of consultation on difficult or contentious matters as required under paragraph 34 of ISQC 1.

6.5 File Assembly and Retention

Documentation evidencing implementation of controls and monitoring for ensuring timely assembly of audit engagement files was not available as per requirements of paragraph 45 of ISQC-1. Instances were also noted whereby file assembly dates were not documented.

Paragraph 47 of ISQC 1 requires that the firm shall establish policies and procedures for retention of engagement documentation. Further, paragraph 58 of ISQC 1 requires that the firm shall establish policies and procedures for retention of documentation relating to the system of quality control. It was observed that the firm's policy for retention of documentation was for a period of at least five years, however, this policy is not in line with ICAP's Directive 4.19 which requires that 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.

6.6 Cyclical Reviews

The documentation of cyclical reviews i.e. inspection of at least one completed engagement for each partner, was not available for review in accordance with paragraph 48(a) of ISQC-1.

Disclaimer

The information contained in this section is not intended to set out how an audit firm should structure its audit working paper files, policies and practices as there is no 'one-size-fits-all' approach. Audit practitioners are encouraged to seek guidance from the observations summarized in this report in light of their own facts and circumstances.

Quality Control Review Process

The step-wise review process undertaken by the Quality Assurance Department in discharging its responsibilities in terms of reviewing the engagements is as follows:

- Step 1** Obtain list of audit engagements from the audit firms.
- Step 2** Review the list for completeness and accuracy.
- Step 3** Selection of audit engagements for QCR on a risk-based and sector specific engagement selection criteria.
- Step 4** Review of the selected engagements and the firm's control environment. *The review checklists can be accessed at the Institute's website by visiting this internet link: <https://icap.org.pk/quality-assurance/qcr-documents/>*
- Step 5** Observations noted by the reviewer and engagement partner's comments are recorded in the Review Finding Form (RFF).
- Step 6** The draft QCR report is prepared and sent to the Firm for comments.
- Step 7** The draft QCR report, after incorporation of firm's comments, if any, is presented to the QAB for its consideration.
- Step 8 Conclusion**
 - a. The Final QCR report is issued to the firm, after approval by the QAB, with either of the following conclusions:
 - i) Satisfactory
 - ii) Satisfactory with Improvements Required (SWIR)
 - iii) Unsatisfactory
 - b. In addition, where deficiencies are noted in the engagement review of certain partner(s) of the audit firm, any one or more of the following actions may be taken under Clause 14.3 of the QCR Framework, 2019:
 - i) require such partner(s) to undergo additional training or CPD activities as recommended by QAB.
 - ii) arrange a fresh Engagement Review of such partner(s) after the period as deemed appropriate by QAB.
 - iii) refer to the Investigation Committee of the Institute if he fails to implement the Action Plan submitted at the time of earlier review.

Composition of the Quality Assurance Board

The Quality Assurance Board (QAB) is an independent body composed of nominees from the Securities and Exchange Commission of Pakistan (SECP), the State Bank of Pakistan (SBP), Pakistan Stock Exchange (PSX) and the Institute of Chartered Accountants of Pakistan. It oversees the functions of the Quality Assurance Department of the Institute. Brief profiles of the members of QAB are given below:

i) **Mr. Farid ud Din Ahmed (Chairman)**

Mr. Farid ud Din Ahmed is a fellow member of the Institute of Chartered Accountants of Pakistan with over 35 years' professional experience in audit and consulting assignments with KPMG Pakistan and UK for the private as well as the public sector. He has held the positions of Partner in Charge, KPMG Lahore and Head of Advisory, KPMG Pakistan.



ii) **Mr. Abdul Samad**

Mr. Abdul Samad is a fellow member of the Institute of Chartered Accountants of Pakistan with over 20 years of Capital Market experience. He is currently serving as the Chief Operating Officer of Central Depository Company of Pakistan Limited and also CEO of CDC Share Registrar Services Limited.



iii) **Mr. Hasan A. Bilgrami**

Mr. Hasan A. Bilgrami is CEO of a biotechnology startup as well as a technology consulting company with operations in Australia and Pakistan. Earlier in his career he worked as Banker where his last position was founding CEO of Bank Islami Pakistan Limited. He is a fellow member of ICMAP, where he was President between 2009-2011. He is also member of CPA Australia.



iv) **Ms. Kauser Safdar**

Ms. Kauser Safdar is a fellow member of the Institute of Chartered Accountants of Pakistan having diverse experience of 15 years of working with financial institutions including UBL and First Women Bank Limited. She is presently working as Chief Financial Officer in PAIR Investment Company Limited. She is a certified director and also part of CA Women Committee, ICAP Benevolent Fund Committee as well as OICCI Gender Equality Committee.



v) **Mr. Masood Karim Shaikh**

Mr. Masood Karim Shaikh is a Chartered Accountant (FCA) with over 30 years of senior level experience in financial sector in Pakistan. He retired in 2017 as SEVP and Group Chief, International Banking Group at National Bank of Pakistan. He was managing their international operations in 18 countries in Far East, Central Asia, Middle East, Europe and Americas. In his previous assignment with National Bank of Pakistan, he held key executive responsibilities as CFO and Group Chief Corporate & Investment Banking. He has also worked with Dubai Islamic Bank – Pakistan as Country Head Corporate & Investment Banking. His other previous assignments were with Emirates Bank International, Mashreq Bank and MCB Bank in various positions as CFO, Head of Treasury and Head of Card Division. At KASB Bank, he held the position of COO. He has also served on Boards of various financial institutions and corporations. Presently, he is working as an independent Financial & Management Consultant.



vi) **Mr. Mehmood**

Mr. Mehmood Abdul Razzak is the founding and the managing partner heading the assurance and business advisory services at Baker Tilly Pakistan. He is a Fellow member of the Institute of Chartered Accountants of Pakistan and has over twenty years of experience in practice. After serving Central Depository Company of Pakistan Limited as the youngest head of finance, he laid foundation of a chartered accountancy practice leading it to one of the most emerging reputable firm of nineteen partners/directors, more than one hundred and fifty staff with offices in Karachi, Lahore, Islamabad, Peshawar and Kabul. Successfully introduced Baker Tilly International brand, one of the top ten networks of accounting firms, in Pakistan and Afghanistan. The practice now also ranks amongst the A category firms in Pakistan as per State Bank of Pakistan's panel of auditors.



He has served as a member of the Quality Assurance Board, elected member of the Southern Regional Committee, Taxation Committee and CPD committee of ICAP. He has also served different committees of the Karachi Tax Bar Association and acted as an honorary Advisor to the Karachi Chamber of Commerce. Presently, he is a member of the Auditing Standards and Ethics committee as well as Practicing Members Committee of the ICAP.

vii) Mr. Muhammad Ashraf Bawany

Mr. Bawany is Law graduate and a fellow member of Institute of Cost and Management Accountants of Pakistan (ICMAP) & Institute of Corporate Secretaries of Pakistan (ICSP). He is currently holding the position of President at Ghani Global Group of companies and also serving as a Director in VIS Credit rating company and Pakistan Institute of Corporate Governance – PICG. He is also a member of welfare committee of Aziz Tabba Foundation and Tabba Heart Institute. He remained till recent past as a Director on Pakistan Stock Exchange, Central Depository Company (CDC), IT Minds Limited, CDC Share Registrar Company Limited, National Clearing Company of Pakistan Limited (NCCPL) and Bin Qasim Association of Trade & Industry (BAQATI). He was also a former President of ICMAP, PIPFA and CEO / MD of Linde Pakistan Limited.

**viii) Mr. Rashid Ibrahim**

Mr. Rashid Ibrahim is in practice for over three decades. He remained partner of Khalid Majid & Co., Jawaid Qadeer Rashid & Co., Coopers & Lybrand and A.F. Ferguson & Co. He retired after serving for over eighteen years as a partner of A.F. Ferguson & Co. (a member firm of PwC) and is now operating a consulting firm Septentrio Global Consulting (collaborating with Andersen Global in Pakistan). He was a Council member and Vice President of the Institute and remained Chairman and member of various committees of the Institute for over three decades, including Chairman of Education and Training, Investigation, Taxation, and Continued Professional Development Committees.

**ix) Syed Aftab Hameed Esq.**

Syed Aftab Hameed is a Fellow Chartered Accountant and in practice since his qualification in the year 1985. Presently he is the Chairman / Senior Partner of Kreston Hyder Bhimji & Co. and looking after the audit and assurance side of the firm. Over a period of three and a half decades, he has, by single-minded devotion to the profession, come to acquire a well-deserved reputation in the concerned circles for himself.

He has/had been conducting or supervising audits, investigations or rendering management consultancy services in the various fields of business, trade & commerce, etc. He remained a member of Practicing Members Committee, Accounting & Auditing Standards Committee



and Education and Training Committee of ICAP for a number of terms, with active participation. He has also been a joint Auditor of ICAP for a period of five years. He was nominated as a member of QAB by the Council w.e.f. July 01, 2021 for a period of three years.

Meetings & Attendance

During the year ended June 30, 2022 eleven (11) meetings of the QAB were held.

QAB Members	Meetings Attended
Mr. Farid ud Din Ahmed (Chairman)	11
Mr. Abdul Samad	4
Mr. Hasan A. Bilgrami	5
Ms. Kauser Safdar	10
Mr. Masood Karim Shaikh	9
Mr. Mehmood	9
Mr. Muhammad Ashraf Bawany	10
Mr. Rashid Ibrahim	9
Syed Aftab Hameed Esq.	10

Quality Assurance Department

Present staff composition of the department is as follows:

Name	Designation
Mr. Muhammad Asad Iqbal	Head of Department
Mr. Irfan Azam	Secretary – QAB
Mr. Muhammad Fahad Parvaiz	Deputy Director
Mr. Abdul Ahad	Manager
Mr. Abid Murtazai	Manager
Mr. Adnan Mehmood Khan	Manager
Mr. Arif Hussain	Manager
Mr. Mohammad Ahsan	Manager
Mr. Muhammad Zohaib	Manager
Mr. Ali Irtaza Ismail	Manager
Ms. Anila Rajab Ali	Deputy Manager
Mr. Hammad Javed	Assistant Manager
Mr. Chandan Kumar	Officer
Mr. Farooq Ijaz	Officer