

# Annual Report 2020-21

ICMA Pakistan  
Quality Assurance Board



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# Message from The Chairman, Quality Assurance Board

I am pleased to present the QAB report for the year 2020-2021. Quality Control for Audits plays a vital role in enhancing the audit quality and upholding the stakeholders' confidence in the services provided by practicing firms. This is achieved by ensuring that the audit engagements are conducted and the audit reports are issued in accordance with the applicable International Standards on Auditing (ISA's) and regulatory requirements, and the firm's quality control policies and procedures have been appropriately designed and effectively implemented in letter and spirit with the requirements in Quality Control Framework for CMA Firms that conduct Audits and Reviews of Financial Statements, Assurance and Related Services Engagements.

As you are aware of the fact that the dawn of year 2020, has put the entire world at the war against a pandemic. The unparalleled COVID-19 has impacted every façade of our lives be it social, psychological or economical. Business and Commerce have suffered huge losses, not to forget the layoffs, the magnitude of which may not be easily determined. It will take some time to come out from this catastrophe and that too may not be sufficient too, but definitely better than the last year Insha'Allah!

This report intends to provide an outline of the QCR Program and the QAB's activities. A section of the report highlights the noteworthy and frequent observations noted while conducting reviews of the firms during the year 2020. In the interest of transparency and confidentiality, only gathered data, trends and matters arising from the findings are being reported. I encourage members to focus on the underlying principles behind the reported observations to help them identify potential underlying origin of causes and common audit areas where audit quality and mechanism requires quality enhancement and improvement. The overall objective of the QCR Program of the Institute is to enhance the quality of Audit Reports and reliability of the accountancy profession in the public interest. The QAD successfully accomplished the review of 25 practicing firms during the period under consideration of which 17 were given Satisfactory Rating.

To update and enhance knowledge of CMA practicing members the Quality Assurance Department (QAD) organized a webinar where an extensive presentation was given by our worthy Reviewer coupled with a discussion panel which was also held comprising leading and prominent personalities of ICMA Pakistan to give members a sound understanding and clear vision of how to develop their files for QCR and the performance of Audit as per the standards of Quality Review Framework of ICMA Pakistan. Similar workshops are being planned in the future on IFRS's and ISA's too. We also encouraged the CMA Practicing Members who participated in the QCR programme on our call by giving them certificates of compliance well in time as a token of encouragement during the course of our review.

I would like to extend my gratitude and appreciation to all those firms and their staff who co-operated with our reviewers throughout the QCR process. I would also like to thank all members of the QAB and QAD team without whose support it would not have been possible to run our quality control program effectively and on smooth basis.

**Sajjad Ahmed, FCMA**  
**Chairman**  
**Quality Assurance Board**

## About Quality Assurance Directorate

### Introduction and Brief History

This Report is issued in compliance with Paragraph 73 of Statement of Membership Obligation (SMO)-1 “Quality Assurance” and provides an overview of the activities of the Quality Assurance Board (QAB) and those of QCD of the ICMA Pakistan.

The concept of Quality Control Review (QCR) for Cost and Management Accountant (CMA) firms, having a valid Certificate of Practice (COP) from the Institute of Cost and Management Accountants of Pakistan (“ICMA Pakistan” or “Institute”) and engaged in the rendering of audit and assurance related services, was given by one of the senior practicing member of the Institute. The need for QCR was emerged on the basis of increasing competition in the profession, recent professional developments, regulatory requirements, with the opportunities to get themselves registered on the panels of auditors notified by various regulators in Pakistan e.g. State Bank of Pakistan, SECP etc. and to provide them with the opportunity of affiliation with the international auditing firms.

The Framework for QCR Program was approved by the National Council in its 313th meeting held on May 24, 2014, and Quality Assurance Board was formed.

### Highlights of the Framework of Quality Control Review Program

#### Objectives

The purpose of this document is to describe the scope and objectives of the Quality Control Review (QCR) framework, responsibilities and functions of QAB policies, procedures and QCR process established by the Institute.

#### Scope

This Framework applies to all practicing CMAs holding COP from the Institute, carrying out audits of financial statements, cost audits, special statutory audits, tax audits, public sector audits and review of historical financial information and other assurance and related service engagements.

#### Quality Assurance Board

The Board comprises of 14 members including the Chairperson who shall be appointed by the Council. The Chairperson shall neither be a practicing member nor from the sitting Council.

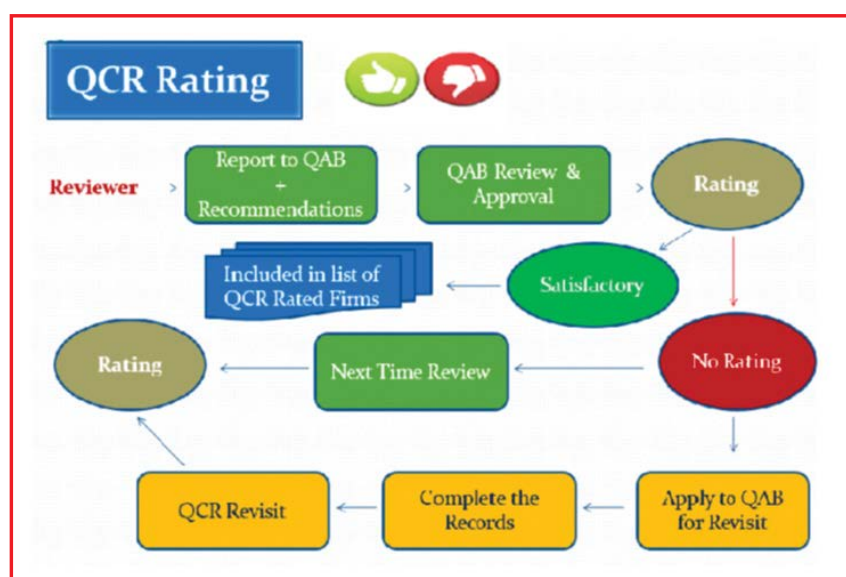
#### The composition of the members of the Board shall be as follows:

- (a) Three members from the Council;
- (b) Three members from practicing firms;
- (c) Three non-practicing members of the Institute;
- (d) Five independent nominees including:
  - (i) One member from Security and Exchange Commission of Pakistan (SECP);
  - (ii) One member from Ministry of Finance.
  - (iii) One member from State Bank of Pakistan (SBP);
  - (iv) One member from Federation of Pakistan Chambers of Commerce and Industry (FPCCI);
  - (v) One member from Auditor General of Pakistan (AGP).

- The Chairperson of the Board will be the member of the Institute.
- The Board member will be appointed for a period of three years.
- Any five members present in a meeting shall constitute a quorum.

## Objectives of the Board

- To establish policies and procedures for the QCR program that ensures that firms carry out audits in Accordance with the professional standards as applicable in Pakistan and adopted by the Institute.
- To establish appropriate quality control review and monitoring mechanism, including issuance of standards, directives and guidelines in relation to audit practice carried out by the firms in public interest and to comply with the requirements of Statement of Membership Obligation (SMO-1) on Quality Control issued by the International Federation of Accountants (IFAC).



## Quality Assurance Directorate (QAD) of the Institute

QAD is entrusted with Quality Assurance of the CMA practicing Firms. Regular workshops on audit practice manual, auditing standards and other significant matters of audit profession are planned to be conducted by QAD at Zoom and in all major centres of ICMA Pakistan to provide training and guidance to the CMA practicing members and their staff. Therefore, the practicing members should demonstrate high level of professional values, ethics and attitudes at all times, and set the tone at top, in order to establish environment for ensuring quality of audit and assurance engagements working paper files.

Members are strongly encouraged to take proactive actions to remediate deficiencies, effectively participate in training and development workshops and ensure quality of their work to improve the audit profession in a competitive environment and make a difference in this world of cut throat competition.

## Composition of the Quality Assurance Directorate.

- Secretary to QAB /Deputy Director
- Two Assistants



## **Summary of Quality Assurance Directorate Activities in July 2020-June 2021.**

During this period 17 firms were given satisfactory rating covering their 26 Audit Engagements. During this period, awareness was raised through persistent contact of the QA Directorate with the CMA Practicing members via various channels for joining Quality Assurance Directorate (QAD) for their Engagement Reviews and Quality Assurance programme launched. For that emails were sent to all the CMA Practicing members both registered and unregistered and data was collected from all over Pakistan for contacting them and bringing them within the fold of QAD. The files were reviewed in strict compliance with the QCR benchmarking standards of ICMA Pakistan and passed on to the Professional Reviewer who after doing thorough review concluded the QCR. In order to encourage the members for QCR, QAD sent them certificates of compliance to those practicing members who willingly came forward to register themselves with QCR formalities. This was done to encourage more members to join QCR. No doubt it was challenging, but when the names of the compliant firms were uploaded on the website, more members got encouraged and participated in the QCR Programme. The Quality Assurance Directorate visited the firms physically to get the files and meet the engagement partners who gave positive response to their endeavors.

## **QCR Annual Report July 1st 2020 to June 30th 2021**

### **Introduction :**

This project was started on 1st July 2020 backed by ISA 220 (ISQC), policies of ICMA QCR Framework 2014, and implementation of ICMA QCR 2016. This Report provides a rundown of the activities of the Quality Assurance Directorate (QAD) of the Institute of Cost and Management Accountants of Pakistan during the year ended June 30, 2021 towards its endeavours for monitoring and improvement 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 CMA audit firms' quality control systems or assurance work, or the quality of the auditing profession in its entirety. The focus of this report is to provide an overview of more predominant observations reported during the year under review to help determine a broader and robust improvement strategy in areas where it is found not up to standards of best practices around the globe.

### **Scope of Review:**

We have undertaken full scope review of the CMA firms involved in carrying out Financial Statements Audit.

The program of QCR was launched in July 2020 led by QAD Directorate. The procedure contained following sequence of steps.

### **Step 1: Calling CMA Practicing Members**

To conduct Quality Control Review (QCR), Quality Assurance Directorate(QAD) approached more than 187 CMA practicing firms all over Pakistan. First QAD created awareness amongst members about QCR and its benefits after inviting them for registration with ICMA Pakistan, thence invited all the

practicing members to participate in this program through phones, emails, WhatsApp and personal visits. In this process 61 practicing members came forward and successfully got registered with QCR under the guidance of QCR Directorate.

### **Step 2: Training**

QAD conducted training of QCR via zoom (due to the onset of Covid-19) for members for which a very well organized webinar was held in November 2020.

### **Step 3: Compliance**

QAD sought their client information from interested members, and then as per their client ratio, it sought their financial statements.

### **Step 4: Analysis**

QAD analysed and selected Financial Statements for QCR as per subjective judgement. The QAD requested Audit files of selected financial statements from the practicing members.

### **Step 5: QCR by QCD**

After receiving the selected files, QAD conducted QCR as per guidelines of ISA 220 (ISQC), ICMA QCR Framework 2014, ICMA QCR Audit Manual and ICMA QCR Checklist.

### **Step 6: Final Review by Reviewer**

The work completed by QCD was forwarded to the main Reviewer who finalized the Audit of all 17 CMA firms after his own thorough scrutiny.

### **Step 7: Reporting**

After completion of QCR, QAD prepared separate report of each audit file of a particular firm.

### **Step 8: QAB Meeting**

QCR report was presented before the Board in the Board Meeting held on March 18, 2021.

## List of Firms received Satisfactory Rating

During the course of our review some firms who got registered for QCR programme could not get satisfactory rating due to certain findings and discrepancies observed, however based on our review, nothing has come to our attention that causes us to believe that the following firms have not carried out the audit of their clients in accordance with the International Standards on Auditing as adopted in Pakistan. This opinion has been expressed for the limited purpose of communicating our understanding of the adherence to the professional standards by these firms in conducting the audit of their clients. This does not in any way absolve or reduce the professional responsibility of these firms in expressing their audit opinion on the financial statements of audit clients.

### Following 17 CMA Firms got Satisfactory Rating: -

1	Arête Management Consulting (Pvt) Ltd	Islamabad
2	Asif Ahmed and Co	Islamabad
3	A.R.and Co	Lahore
4	M. Yousuf and Co	Islamabad
5	In Sync Business Solutions	Karachi
6	Munawar Associates	Lahore
7	Mansoob and Co	Karachi
8	Nafees Ahmed and Co	Islamabad
9	Pakistan Business Consultants	Karachi
10	Riasat Ishtiaq and Co	Islamabad
11	Shehzad Malik and Co	Islamabad
12	S.M. Naim Mian and Co	Lahore
13	Siddiqui and Co	Karachi
14	Shazad Adil and Co	Islamabad
15	Tariq Mian Ramzan Arshad & Co	Islamabad and Lahore
16	Umar Nasir Rashid and Co	Islamabad
17	Zahid Farooq and Company	Islamabad

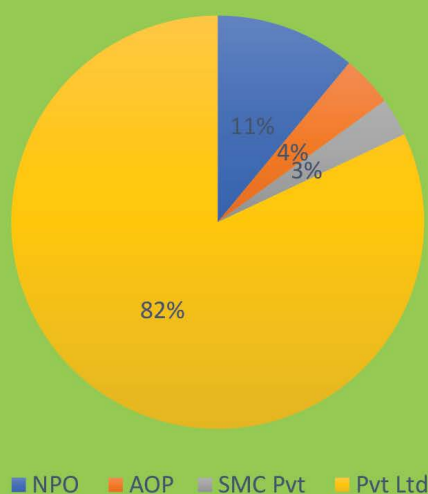
[https://www.icmainternational.com.pk/qab\\_satisfactory\\_firms.aspx](https://www.icmainternational.com.pk/qab_satisfactory_firms.aspx)



## Types of Audit Engagements Reviewed



## Types of Business Entities Reviewed



## Resources Available to Practicing Members

The purpose of Quality Control is to safeguard and increase the quality of audits and the resulting audit reports issued by the CMA firms and the credibility of accountancy profession in the country. To bring the CMA Firms into line with this objective, the QAD developed resources for the backing of the practicing members. The objective of these resources is to help develop and maintain compliance of professional standards amongst the CMA audit firms as well as serve as to direct an effective and well-organized audit documentation.

The following resources, which should be considered as a guide are available on the Institute's website at [https://www.icmainternational.com/qab\\_satisfactory\\_firms.aspx](https://www.icmainternational.com/qab_satisfactory_firms.aspx)

- [Audit Practices Manual](#)
- [ISQC-1 Implementation Guide](#)
- [Quality control review checklist for cost audit engagement](#)
- [Framework of Quality Control Review \(QCR\) Program](#)

It is appropriate to specify that these resources provide non-authoritative guidance on ISAs and professional standards. It should not be considered an alternate for reading / referring the ISAs and the regulatory requirements. In conducting an audit in accordance with ISA's, the auditor is required to observe meticulously with all the ISA's as applicable in Pakistan that are related to the engagement along with applicable local and regulatory requirements and guidelines.



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# ICMA

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## Pakistan

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