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Message from the Chairman

I am delighted to present the third issue of TSPD Monthly Technical Updates. It was launched in November 2019 and since then, the TSPD directorate has made its utmost efforts to make it purposeful for professional accountants who take keen interest in the technical and industrial information. This issue covers a variety of topics related to the Corporate Sector, Taxation, Stock Market and Audit, which we believe that members will find informative and helpful in discharging their professional assignments.

I, therefore, request all our practicing members in particular and members in general, to share their valuable suggestions and ideas for its improvement and also identify topics of technical interest, which the Committee may consider for arranging seminars, workshops and training programs beneficial for the practicing members in terms of their capacity building and value addition.

Please do share your comments on tspd@icmap.com.pk.

Ghulam Mustafa Qazi, FCMA
Chairman TSPD Committee



Feature News

Invitation of Proposals on Federal Budget 2020-21

Each year ICMA Pakistan prepares Fiscal Budget Proposals in consultation with the members of the Institute. These budget proposals contain taxation proposals [Income tax; Sales tax; Federal excise & Custom duty] as well as sector and industry wise issues and solutions.

ICMA Pakistan is soliciting proposals for the upcoming Budget 2020-21. Federal Board of Revenue (FBR) has also requested ICMA Pakistan to submit its proposals for the upcoming Budget.

Worthy members are requested to kindly provide their valuable inputs/ suggestions, proposals on the Upcoming Budget 2020-21 through email to tspd@icmap.com.pk or through WhatsApp at number **+923315510674** for onward submission to FBR.

Committee Activities

3rd issue of Monthly Queries & Replies (Q&R)

Technical Support & Practice Development (TSPD) Directorate launched 3rd issue of Monthly Queries & Replies, which comprises of Queries raised by the practicing members on TSPD WhatsApp Forum along with their replies.

The idea behind its launch was to provide a compiled version of the technical queries and their replies to the members which were raised at the TSPD WhatsApp Forum. It will serve as a ready reference for resolution of queries of similar nature arising in future. The Directorate acknowledges the active participation of worthy practicing members at the Forum. This document is prepared for practicing members at TSPD WhatsApp Forum only. Members interested to acquire this document may share their mobile numbers at tspd@icmap.com.pk.



Recommendations to SECP with regards to the Changes in Laws and Regulations to comply with FATF REC 24

Technical Support & Practice Development (TSPD) Committee on the request of Securities and Exchange Commission of Pakistan (SECP) forwarded its recommendations with regards to the Changes in Laws and Regulations to comply with FATF REC 24.

Recommendations were prepared in respects of seeking information related to the "Ultimate Beneficial Ownership" according to the SECP Circulars Circular No. 16 of 2018 dated August 29, 2018 and Circular No. 20 of 2018 dated November 1, 2018.

National Update

Corporate Sector

1. DRAFT AMENDMENTS TO THE LIMITED LIABILITY PARTNERSHIP REGULATIONS, 2018

Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 80(I)/2020 made draft amendments to the Limited Liability Partnership Regulations, 2018.

The definition of "ultimate beneficial owner" is inserted in the regulations after clause "I" as "ultimate beneficial owner" means a natural person who ultimately own or control a limited liability partnership through direct or indirect rights or controlling interest of not less than twenty five percent in any form of contribution as specified in section 18 or the underlying rights to share the profits and losses of the partnership and receive distributions accordingly as laid down in the LLP agreement.;"

Amendments are also proposed in regulations 8, 13, Form III and Form V, with respect to the "ultimate beneficial owner".

Worthy Members are requested to please review the above draft and forward their valuable feedback/ comments/ inputs to tspd@icmap.com.pk, latest by **February 21, 2020**, for onward submission to SECP.

For further details, please visit the following link:-
<https://www.secp.gov.pk/document/s-r-o-80-i-2020-draft-amendments-to-the-limited-liability-partnership-regulations-2018/?wpdmdl=38323>

2. REQUIREMENTS FOR ASSESSING SUITABILITY AND RISK CATEGORIZATION OF COLLECTIVE INVESTMENT SCHEMES (CIS)

SECP vide their Circular No. 2 of 2020 prescribed following requirements for Asset Management Companies (AMCs) to ensure suitability of CIS/plans to the investor:-

a) AMCs shall classify CIS and investment plans as per the following risk profiles:-

Category of CIS/Plans	Risk Profile	Risk of Principal Erosion
Money Market funds — AA and above rated banks and money market instruments	Very Low	Principal at very low risk
Capital Protected Funds(non-equity), Income funds with investment in A or above rated banks, money market instruments (AA category and above) and investment in up to 6 months floating rate govt securities or govt backed sukuks, MTS.	Low	Principal at low risk
CPPI Strategy Based Funds, Income Funds (where investment is made in fixed rate instruments or below A rated banks or corporate sukuks or bonds, spread transactions, Asset Allocation and Balanced Funds (with equity exposure up to 50% mandate).	Medium	Principal at medium risk
Equity Funds, Asset Allocation (with 0 - 100% Equity exposure mandate) and Balanced Funds (with 30 - 70% Equity exposure mandate), Commodity Funds, Index Tracker Funds and Sector Specific Equity related Funds.	High	Principal at high risk

b) AMCs shall ensure that standard risk profile of CIS/plans as per above table are printed in prominently visible form on the front page of offering document, investment forms and in the fund manager report.

c) AMCs shall formulate and maintain policies and procedures with respect to their obligation to ensure suitability of CIS/plans to the investor.

d) AMCs shall develop investor risk profiling mechanism for assessment of suitability of CIS/plan to the potential investor.

e) AMCs shall ensure that the risk-profiling related document is duly read, dated and signed by the investor prior to making an investment. In case of sale of a high risk CIS/plan to an investor who has been profiled as a low risk, AMCs shall establish appropriate mechanism to validate product suitability such as standard phone calls/SMS/Emails within the cooling-off period.

SECP directed all AMCs to ensure compliance within 60 days of the issuance of this Circular.

For further details, please visit the following link:-
<https://www.secp.gov.pk/document/circular-no-2-of-2020-requirements-for-assessing-suitability-risk-categorization-of-collective-investment-schemescis/?wpdmdl=38310>

3. DRAFT AMENDMENTS TO REITS REGULATIONS, 2015

SECP vide their S.R.O. 118(I)/2020 dated February 18, 2020 notified draft amendments to the Real Estate Investment Trust Regulations, 2015.

The SECP has proposed to reduce fees under the said Regulations in Schedule III*. The revised proposed fees are under:-

S #	Form	Subject of application	Amount (RS.)
1	Form I	Application for permission to form an RMC	250,000
2	Form II	Application for license to undertake or carry out an activity or function	500,000
3	Form IV	Application for renewal of licence to carry out an activity or function.	Nil

In clause B, under the heading "Application Fees" for the first table, the following is proposed:-

S #	Subject of application	Amount (RS.)
1	Application for registration of a REIT scheme	500,000

*Schedules of fee revised as per the direction of the Securities and Exchange Policy Board vide SRO 1620(I)/2019, dated-December 24, 2019.

4. DRAFT AMENDMENTS TO PRIVATE FUNDS REGULATIONS, 2015

SECP vide their S.R.O. 117(I)/2020 dated February 18, 2020 notified draft amendments to Private Funds Regulations, 2015.

The SECP has proposed to reduce fees under the said Regulations in Schedule I. The proposed revised fees are under:-

"Schedule I*

[See Rule 7A and Regulation 5(4)]

A) Application Fees under the Rules:

S #	Form	Subject of application	Amount (RS.)
1	Form I	Application for permission to form Private Fund Management Company	250,000
2	Form II	Application for license to carryout Private Equity and Venture Capital Fund Management Services	500,000
3	Form III	Application for renewal of license to carry out Private Equity and Venture Capital Management Services	Nil

B) Application Fees under these Regulations: [Regulation 5(4)]

S #	Form	Subject of application	Amount (RS.)
1	Form I	Application for registration of a Private Fund	500,000

C) Other Fees: [Regulation 15]

S#	Subject of application	Amount (RS.)
1	Annual Fee for Private Fund	250,000

*Schedule of fee revised as per the direction of the Securities and Exchange Policy Board vide S.R.O. 1620(1)/2019, dated December 24, 2019.”

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/s-r-o-117-i-2020-draft-amendments-to-private-funds-regulations2015/?wpdmdl=38611>

5. DRAFT AMENDMENTS TO NBFCs REGULATIONS, 2008

SECP vide their S.R.O. 116(I)/2020 dated February 18, 2020 notified draft amendments to Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The SECP has proposed to reduce fees under the said Regulations in Schedule II. The proposed revised fees are under:-

In clause A, the following shall be substituted namely,-

"A) Application Fees under the Rules:

S #	Form	Subject of application	Amount (RS.)
1	Form I	Application for permission to form an NBFC	250,000
2	Form II	Application for license to undertake or carry out an activity or function	500,000
3	Form IV	Application for renewal of license to carry out an activity or function	Nil

Provided that Non-Bank Micro Finance Companies shall pay the following fee amounts:

S #	Form	Subject of application	Amount (RS.)
1	Form I	Application for permission to form an NBFC	125,000
2	Form II	Application for license to undertake or carry out an activity or function	250,000
3	Form IV	Application for renewal of license to carry out an activity or function	Nil

In clause B, for the table following shall be substituted namely,-

S #	Regulation	Subject of application	Amount (RS.)
1	Regulation 44	Application for registration of an Open End Scheme or Closed End Scheme	500,000
2	Regulation 40A(1)	Application for certificate of registration to act as a trustee	500,000

6. ELIGIBILITY TO ACT AS TRUSTEE OF COLLECTIVE INVESTMENT SCHEMES

SECP vide their Circular No. 3 of 2020 dated February 20, 2020 allowed subsidiary of ISE Towers REIT Management Company Limited to apply for registration to act as trustee of Open End Scheme or Close End Scheme subject to the following terms and conditions:-

- a) The company shall be a public limited company with principal line of business/primary object clause of providing trustee services to CIS, REIT Schemes and Private Funds under the NBFC Regulations, Private Funds Regulations, 2015 and the Real Estate Investment Trust Regulations, 2015.
- b) The company shall initially have equity of Rs.100.00 million, to be increased thereafter to Rs. 200.00 million in five years and during this five year period the company shall at all times ensure that its equity is at least 0.10% of the net assets maintained under its trusteeship. The SECP may direct the company to fulfil additional capital requirements and the company shall be bound to comply with such direction.
- c) The sponsors of the company shall make best efforts for inclusion of licensed commercial bank/DFI as major shareholder.
- d) The Board of Directors and major shareholders of the company shall be subject to prior SECP approval and shall comply with the Fit and Proper Criteria as per Schedule IX of the NBFC Regulations 2008. The SECP shall be empowered to remove any or all of the directors on the board of the company in the interest of the investors or capital market.
- e) The appointment of Chief Executive Officer of the company shall be subject to SECP approval.
- f) The company shall appoint at least 1/3rd independent directors on its board with at least one female independent director.
- g) Any change in ten percent or more shareholding of the company shall be subject to prior SECP approval.
- h) The company shall obtain sufficient insurance coverage from an insurance company having a minimum A- rating, against the wrongful act, fraud & forgeries and negligence of the company or any of its employees.
- i) The external auditor of the company shall be from category A of the panel of auditors maintained by State Bank of Pakistan.
- j) The company shall not indulge in any activity other than the activities currently permitted to existing trustee companies and shall not undertake any other activity without prior approval of the SECP.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/circular-no-3-of-2020-eligibility-to-act-as-trustee-of-collective-investment-schemes/?wpdmdl=38634>

7. EXTENSION IN THE DATE OF APPLICABILITY OF IFRS 9

SECP vide their S.R.O. 131(I)/2020 dated February 24, 2020 extended the deadline for applicability of IFRS-9.

The effective date for applicability of International Financial Reporting Standard - Financial Instruments (IFRS 9) in place of International Accounting Standard (IAS) 39 (Financial Instruments: Recognition and Measurement) for Modarabas is extended till Reporting period/year ending on or after 30th June, 2020, however earlier application is permitted. For further details, please visit the following link:-

<http://download1.fbr.gov.pk/SROs/2020224102587139SRO-127-2020-24.02.2020.pdf>

Taxation

8. REGULATORY DUTY ABOLISHED ON IMPORT OF WHEAT

Federal Board of Revenue (FBR) vide their S.R.O. 118(I)/2020 dated February 19, 2020 abolished regulatory duty on import of Wheat falling under PCT Codes 1001.1900 and 1001.9900.

FBR amended its earlier S.R.O. 680(I)/2019 dated June 28, 2019 in which the regulatory duty of 60% was imposed on Wheat under the above mentioned PCT Codes. The same duty is now made 0%, through the current notification.

The said notification shall remain in force till March 31, 2020.

For further details, please visit the following link:-

<http://download1.fbr.gov.pk/SROs/20202201923831189SRO119.pdf>

9. WITHDRAWAL OF REGULATORY DUTY ON IMPORT OF CANE OR BEET SUGAR AND CHEMICALLY PRODUCED SUCROSE, IN SOLID FORM

Federal Board of Revenue (FBR) vide their S.R.O. 118(I)/2020 dated February 19, 2020 withdrew regulatory duty on import of Cane or beet sugar and chemically produced sucrose, in solid form falling under PCT Codes 17.01 (except PCT Codes 1701.9100, 1701.9930 and 1701.9990).

FBR amended its earlier S.R.O. 680(I)/2019 dated June 28, 2019 in which the regulatory duty of 40% was imposed on the above item. The same duty is now withdrawn through the current notification.

The said notification shall remain in force till March 31, 2020.

For further details, please visit the following link:-

<http://download1.fbr.gov.pk/SROs/2020224102587139SRO-127-2020-24.02.2020.pdf>

International Update

1. IPSASB ISSUES EXPOSURE DRAFTS ON REVENUE AND TRANSFER EXPENSES

The International Public Sector Accounting Standards Board (IPSASB) on February 21, 2020 released three Exposure Drafts, titled as under:-

- Exposure Draft (ED) 70, Revenue with Performance Obligations
- ED 71, Revenue without Performance Obligations
- ED 72, Transfer Expenses

The three exposure drafts are published together to highlight for respondents the linkages between the accounting for revenue and transfer expenses. The three EDs pioneer new approaches for some of the most significant transactions of public sector entities, including inter-governmental transfers and grants for the delivery of key government services to the community by introducing:-

- A more straight-forward approach to classifying revenue transactions;
- A new model for the recognition and measurement of revenue; and
- Guidance on transfer expenses, which currently does not exist in IPSAS.

ED 70 is aligned with IFRS 15, Revenue from Contracts with Customers, while extending the income recognition approach in that standard to address common public sector transactions which include performance obligations, including those where the ultimate beneficiary is a third party. It is intended to supersede IPSAS 9, Revenue from Exchange Transactions, and IPSAS 11, Construction Contracts.

ED 71 is an update of IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers) that addresses some of the issues encountered in its application. Unlike the current revenue standards, which classify revenue based on an exchange or non-exchange distinction, ED 70 and ED 71 differentiate revenue transactions based on whether or not the transaction has a performance obligation, which is defined as a promise to transfer goods or services to a purchaser or a third-party beneficiary. ED 71 also provides public sector-specific guidance on capital transfers for the first time.

ED 72 proposes guidance for transfer expenses, where a transfer provider provides resources to another entity without receiving anything directly in return. In providing guidance for the first time on the expense side of transactions that may be accounted under the revenue EDs by other public sector organizations, ED 72 includes proposals for transactions with and without performance obligations.

The EDs can be accessed through the following link:-

<https://www.ipsasb.org/news-events/2020-02/ipsasb-issues-exposure-drafts-revenue-and-transfer-expenses>

Worthy Members are requested to please review the above EDs and forward their valuable feedback/ comments/ inputs to tspd@icmap.com.pk latest by September 01, 2020 for onward submission to IPSASB.



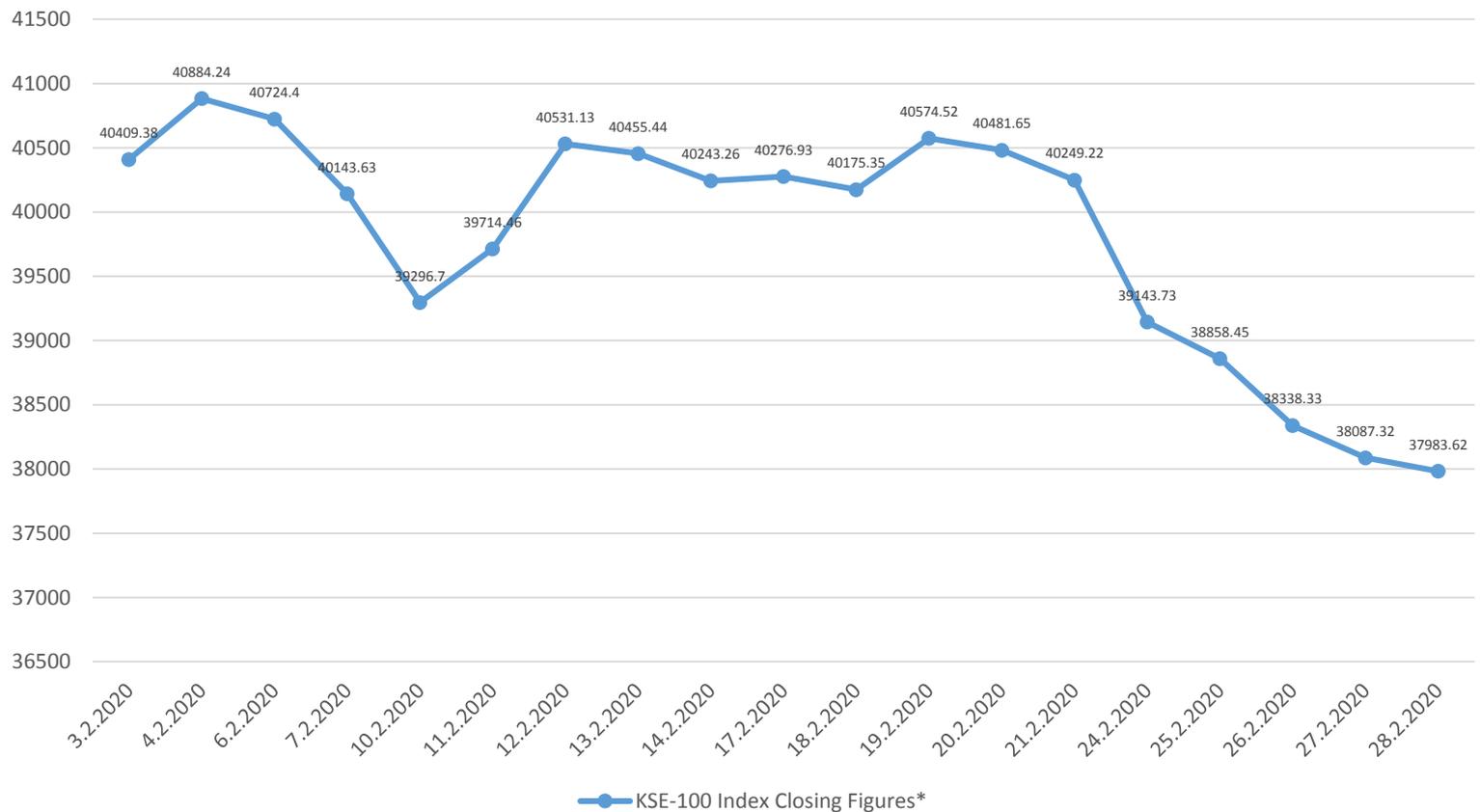
Pakistan Stock Market

Pakistan Stock Market – KSE-100 Index Fluctuations during February 2020

Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*
3.2.2020	40409.38	13.2.2020	40455.44	24.2.2020	39143.73
4.2.2020	40884.24	14.2.2020	40243.26	25.2.2020	38858.45
6.2.2020	40724.40	17.2.2020	40276.93	26.2.2020	38338.33
7.2.2020	40143.63	18.2.2020	40175.35	27.2.2020	38087.32
10.2.2020	39296.70	19.2.2020	40574.52	28.2.2020	37983.62
11.2.2020	39714.46	20.2.2020	40481.65		
12.2.2020	40531.13	21.2.2020	40249.22		

*As published in Daily Dawn

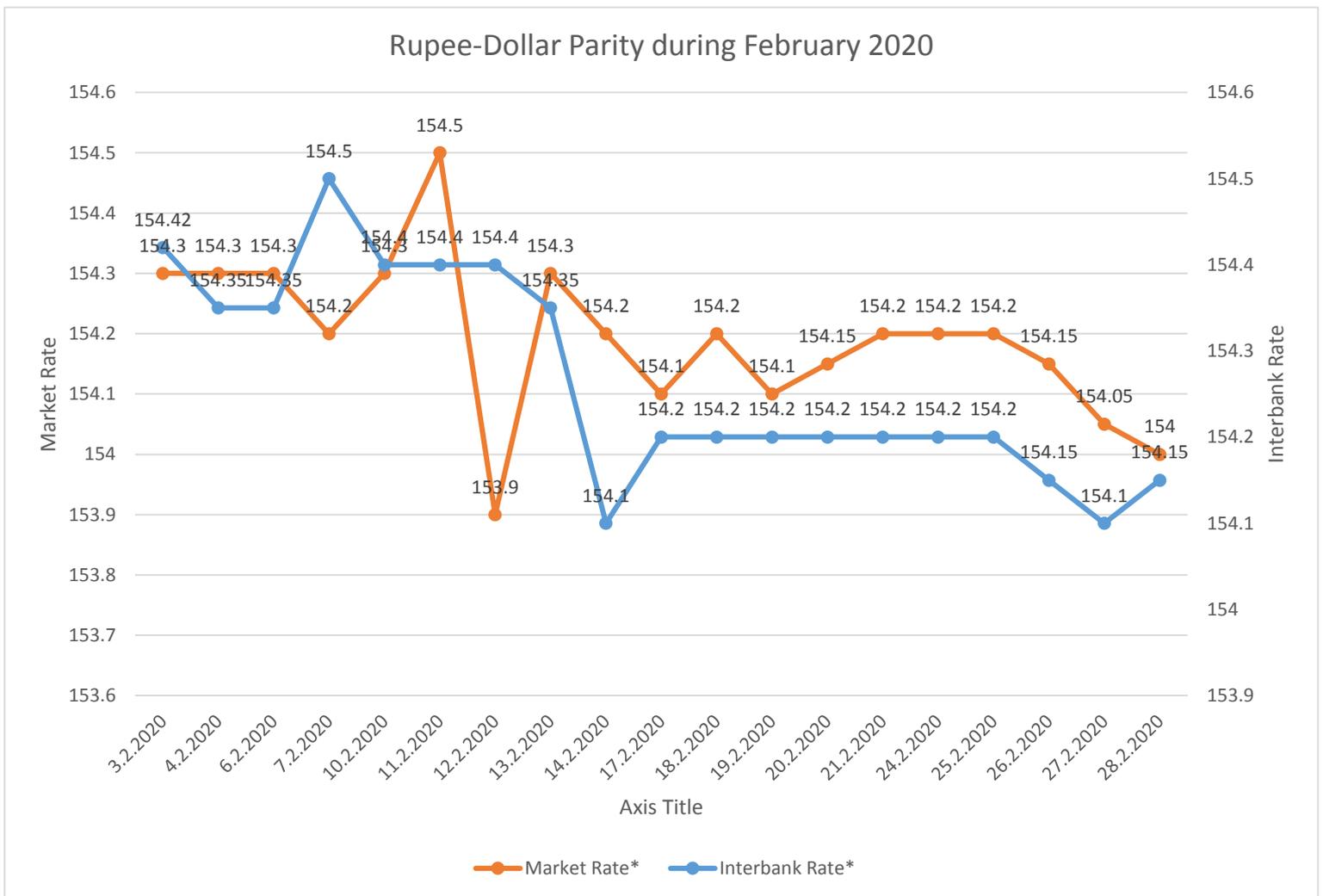
KSE-100 Index Closing Figures*



Rupee-Dollar Parity

Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*
3.2.2020	154.42	154.30	13.2.2020	154.35	154.30	24.2.2020	154.20	154.20
4.2.2020	154.35	154.30	14.2.2020	154.10	154.20	25.2.2020	154.20	154.20
6.2.2020	154.35	154.30	17.2.2020	154.20	154.10	26.2.2020	154.15	154.15
7.2.2020	154.50	154.20	18.2.2020	154.20	154.20	27.2.2020	154.10	154.05
10.2.2020	154.40	154.30	19.2.2020	154.20	154.10	28.2.2020	154.15	154.00
11.2.2020	154.40	154.50	20.2.2020	154.20	154.15			
12.2.2020	154.40	153.90	21.2.2020	154.20	154.20			

*As published in Daily Dawn



— Structure and Contents of Audit Working Papers —

A QAB Publication

The document is prepared in order to enable the readers to recognize the Structure and Contents of Audit Working Papers.

Working Papers and Types

What are Working Papers?

- Material that auditor prepares in connection with performance of the audit
- Record of Audit Procedures Performed
- Relevant Audit Evidence Obtained
- Conclusions the Auditor Reached
- Also termed as “Audit Documentation”

Audit File

- One or more folders or other storage media
- Physical or Electronic Form

Types of Working Papers Files

Permanent Audit File

- Intended to include data of historical or continuing nature pertinent to current examination
- Client incorporation documents
- Business Profile

Current Audit File

- Scope of Work Performed
- Evidence and Findings Obtained
- Audit Judgment Exercised
- Conclusions reached

Correspondence File

- Significant correspondence with senior management
- Copies of Engagement Letters
- Significant representations

Audit Working Papers –Types & Features

Types:

- Audit Administrative Working Papers
 - Audit Plan
 - Audit Program
- Time Budget etc.
- Working Trial Balance
- Lead Schedules
- Adjusting Journal Entries and Reclassification Entries
- Supporting Schedules
- Analysis of Ledger Accounts
- Reconciliations
- Computational Working Papers
- Corroborating Documents

Features:

- Complete and Accurate
- Clear and Understandable
- Relevant to Subject Matter
- Legible and Neat
- Indexed and Cross Referenced
- Key legends and tick marks

Purpose of Audit Working Papers

Principal Purpose

- Evidence Auditor's basis of conclusion
- Evidence that the audit was planned and performed in accordance with:
 - ISAs
 - Applicable legal requirements
 - Applicable regulatory requirements
- Basis for planning the audit
- Assist engagement team members responsible for supervision:
 - To direct and supervise the audit work
 - To discharge their review responsibilities
- Enable the engagement team accountable for its work
- Record of significant matters future audits
- Enable conduct of EQAR/EQCR
- Enable conduct of external reviews (legal, regulator etc.)

Additional Purposes

- A basis for study of patterns and trends
- Aid in internal staff's professional development
- Detailed supporting material for use in discussion with operating personnel
- A source of evidence in litigation and administrative actions
- A basis for evaluation of audit performance
- Provide back-up material in support of audit findings
- Control the audit progress by showing what audit procedures have been performed and what are remaining.

Form, Content and Extent of Audit Working Papers

Factors affecting

Factors affecting the form, content and extent are:

- Size and complexity of entity
- Nature of audit procedures performed
- Identified risk of material misstatement
- Significance of audit evidence obtained
- Nature and extent of exceptions identified
- Need to document a conclusion or basis of conclusion
- Audit methodology and tools used

Forms of Working Papers

- Data recorded on paper
- Films
- Electronic Media
- Any other media

For Electronic files:

- Back-up frequently
- Include the file name in footer
- Develop an organization method

Contents of Audit Working Papers

- Table of Content
- Deliverables
 - Audit Report
 - Final Financial Statements + Trial Balance
 - Letters to BOD (Include Financial Statements approval minutes)
 - Management Letters
 - Other deliverables, if any
- EQAR/Referencing of Financial Statements
- Engagement Letter
- Representation Letter

- Audit Completion
 - Completion of Documents
 - Issues Memoranda
 - Summaries of Significant Matters
 - Disclosure Checklist (4th or 5th Schedule or Applicable IAS)
- Audit Planning
 - Planning Document
 - Planning analysis
 - Materiality Calculations
 - Responsibility Matrix
- Risk Assessment Documents including Fraud Risk Assessment
- Assessment on Other Areas (planning and work done)
 - Subsequent Events
 - Going Concern
 - Compliance with Laws and Regulations
 - Related Parties
 - Internal Audit Function
 - Involvement of Specialists
 - Others, as required
- Discussions
- Correspondence (including emails)
 - Entity Management
 - Third Parties
 - Copy of requirement list submitted and status
 - Other correspondence
- Company Incorporation Documents/updates
- Detailed Head-Wise Working
- Miscellaneous documents

Structure of Head-Wise Working

- Lead Schedule
- Audit Programs
- Sub-Leads
- Break-ups and Schedules
- File Notes/Audit Notes
- Procedures performed and results thereof
- Analysis and computations performed
- Reports of Specialists, if any
- Confirmation Letters, as applicable
- Management Certificates/Specific Representations, as applicable
 - Cash,
 - Inventory
 - Others
- Abstracts or copies of entity's records
 - Partnership deeds/Shareholding agreements
 - AOA/MOA
 - Trust Deeds
 - Lease Agreements
 - Key Contracts
 - Policies Manuals(key Extracts)
 - Minutes of Significant Meetings(Resolution Copies)
 - Copies of Cut-off documents
 - Significant calculations by clients
 - Asset registers/inventory listings, reconciliations etc.
 - Copies of sample invoices, vouchers
 - Copies of other supporting documents as required

Elements of Working Paper

- Name of the Client
- Period Covered by the Audit

- Subject Matter
- Indexing/File Reference
- Initials (signatures of staff who prepared)
- Date when prepared
- Initials (Signature of staff who reviewed)
- Date when reviewed
- In case of working paper prepared by client staff
 - Date the working papers were received
 - Initials of the audit team member who carried out the audit work

Exceptions and Tick Marks

- Exceptions
 - Audit Exceptions should be documented and explained clearly on each working paper using logical numbering that cross reference to other work papers
- Tick Mark Legend
 - Symbols used by the auditor to indicate the nature and extent of procedure
 - Are notions directly on the working papers?
 - Generally done by hand alongside a specific item
 - A concise definition of all tick marks should be included on each audit working paper to clearly describe the work performed
- Use tick marks as abbreviations for standard auditing tasks.
For example, V means that the item you're reviewing vouched. F, stands for foot and which means that you confirmed the arithmetic calculations on the work paper or schedule.

Extent of Audit Procedures and Audit Evidence

Sufficient to enable an experience auditor, having no previous connection with the audit to understand:

- Nature, timing and extent of audit procedures performed
- Identifying characteristics of specific items or matters tested;
- Selection Method, Samples selection,
- Types of Tests performed, audit procedures performed
- Who performed the audit work;
- Date such work was completed
- Who reviewed the audit work performed and date and extent of such review
- Results of audit procedures performed
- Audit evidence obtained

Types of Audit Procedures

- Physical Examination
- Observation
- Confirmation
- Tracing
- Vouching
- Inspection
- Reconciliation
- Re performance
- Analytical Procedure
- Inquiry
- Comparison
- Re-calculation

Discussion on Key Head of Accounts

- Fixed Assets
- Capital Work in Progress
- Investments
- Inventories
- Trade Debtors
- Advances and Deposits
- Pre payments and Other Receivables
- Cash and Bank Balances
- Share Capital
- Reserves

- Deferred Liabilities
- Long Term Liabilities
- Lease Liabilities
- Trade Creditors
- Accrued Expense
- Other Liabilities
- Contingencies and Commitments
- Revenue
- Cost of Sales
- Other Income
- Administration and General Expenses
- Sales and Marketing Expenses
- Finance Cost
- Cash Flow Working
- Working on Going Concern, if any

Significant Matters

- Significant matters arising during audit including:
 - Matters that give rise to significant risk
 - Result of audit procedures indicating that:
 - Financial statements could be materially misstated
 - Need to revise the previous assessment of the audit risk
- Circumstances causing difficulty in applying necessary audit procedures
- Findings resulting in modification of audit opinion

Discussions and Inconsistencies

- Discussion of significant matters with:
 - Management
 - Those charged with governance
 - Among engagement team
- In case of information identified is inconsistent with the auditor's final conclusion/ document how the inconsistency was addressed?
Prepare and retain a summary of significant matters, how they addressed (Completion Memorandum or Audit Summary Memorandum)

Departure from Relevant Requirement

In case it is necessary to depart from a relevant requirement in an ISA or other legal and regulatory requirement, document:

- Reason for departure
- Alternative audit procedures performed
- How the alternative procedure achieved the aim of requirement

Documentation requirement applies only to the relevant requirement. A requirement is not relevant only in the cases where:

- The entire ISA is not applicable
- The requirement is conditional and the condition does not exist

Matters arising after the date of auditor's report

- Auditor performs new or additional audit procedures
- New conclusion is drawn after the date of auditor's report

Specific Audit Documentation requirements in ISAs

No.	Title / Brief Description	Para
ISA 210	Agreeing the terms of audit engagement	10-12
ISA 220	Quality Control for an audit of financial statements	24-25
ISA 240	The auditors responsibilities relating to fraud	44-47
ISA 250	Consideration of laws and regulations in an audit	29
ISA 260	Communication with those charged with governance	23
ISA 300	Planning an audit of financial statements	12
ISA 315	Identifying and assessing the risk of material misstatement	32
ISA 320	Materiality in planning and performing an audit	14
ISA 330	The auditor's responses to assessed risk	28-30

ISA 450	Evaluation of misstatements identified during audit	15
ISA 540	Auditing accounting estimates and related disclosures	23
ISA 550	Related parties	28
ISA 600	Special considerations–Audit of Group F/S	50
ISA 610	Using the work of internal auditors	36-37

What is not required to be included?

- Superseded drafts of working papers and financial statements
- Notes that reflect in complete or preliminary thinking
- Previous copies of documents corrected for errors
- Duplicate documents

Oral explanations by the auditor, on their own do not represent adequate support for the work, the audit performed or the conclusion the auditor reached, but may be used to explain or clarify information contained in the audit documentation.

Consideration for Small Entities

- Audit documentation is less extensive
- In case work performed by engagement partner himself, documents will not include:
 - Matters required to be documented to inform or instruct engagement team members;
 - To provide evidence of review by other team members;
- Audit documentation prepared must be understood by an independent experienced auditor
- It is helpful to record various aspects of audit together in a single document, with cross references to supporting working papers. Examples are:
 - Understanding the entity and its internal controls
 - Overall audit strategy and audit plan
 - Materiality
 - Assessed risk, significant matters noted and conclusions

Assembly of the Final Audit File

Assembly and changes

- Assemble the audit documentation in an audit file on timely basis (Ordinarily not more than 60 days from date of audit report)
- Administrative process and does not involve the performance of new audit procedures or the drawing of new conclusion
- Changes of administrative nature, to the audit documentation, may be made. E.g.
 - Deleting/discarding superseded documents
 - Sorting and collating working papers
 - Cross-referencing working papers
 - Signing off on completion checklists relating to final assembly process
 - Document audit evidences obtained, discussed and agreed with the relevant engagement team members before the date of audit report
- Not to discard delete the audit documentation once the audit file assembly has been done until retention period
- In case of necessary modifications or additions after audit file assembly has been done, document:
 - Specific reasons for making these e.g. need to clarify existing documents arising from comments received from external parties like QCR
 - When and by whom they were made and reviewed
- Firms should establish policies and procedures for file assembly and retention period (not less than 5 years)

Importance of Working Papers

Audit Working Papers are Important for:

- Quality Control Purposes in Respect of Audit
- Assurance that the work delegated by the audit partner has been properly completed
- Evidence of effective audit
- Increases the economy and efficiency of audit
- Support audit conclusions
- Contains detailed and up-to-date facts
- Record of matters of continuing significance for future audits
- Relocation of audit staff (leave or any other reason)
- Performance evaluation of staff members

Legal Privileges Available to Cost and Management Accountants*

Sr.	Description	Legal Statute	Relevant Section / Rule
1	To act as an Auditor in case of a private limited company having paid up capital of less than three million	Companies Act, 2017	Section 247(b)
2	Appointment as Special Auditors by FBR for Income Tax Audit	Income Tax Ordinance, 2001	Section 177 (10) Income Tax Ordinance, 2001
3	Appointment as Special Auditors by FBR Sales Tax Audit	Sales Act, 1990	Section 32-A of Sales Act, 1990, & SRO 539(1)/2006 dated 5th June, 2006
4	To perform Audit of Cost Accounts as an Auditor	Companies Act, 2017	Section 250(1)
5	Audit & Certification of Accounts of Non Profit Organizations	Income Tax Rules, 2002	Income Tax Rules, 2002 notified through SRO 774 dated 29th July, 2006
6	Audit of Financial Statements for Agricultural Borrowers	Prudential Regulations for Agriculture Financing 2014	Part C, Regulations R-20
7	Audit of Financial Statements of SMEs	Prudential Regulations for Small and Medium Enterprises Financing 2013	Chapter No. 3, Regulation ME R-4
8	Audit of Financial Statements of Corporate and Commercial Banks	Prudential Regulations for Corporate / Commercial Banking 2011	Part B, Regulations R-3
9	To Act as Legal Representative of Taxpayer	Income Tax Ordinance, 2001 Income Tax Rules, 2002	Sec 223 Income Tax Ordinance, 2001 Rules 84-90 Chp XIV if Income Tax Rules, 2002
10	Delegation of Function by Assets Management Companies	SECP Circular, 2013	No.24/2013 dated December 06, 2013
11	Declaration for Registration of Memorandum	Companies Rules, 1985	Rule 4 (2) (ii)
12	Appointment as Committee Member on Custom matters	Customs Act, 1969	Section 195 C(2)
13	Appointment as Member of Settlement Commission on Custom matters	Customs Act, 1969	Section 196 K(3)
14	Appointment as Accountant Member of the Appellate Tribunal	Anti-Dumping Duties Ordinance, 2015	Rule 65(1)(a), No.2((1)/2015-Pub dated February 26, 2015
15	To Act as Legal representative in Anti-Dumping Tribunal	Anti-Dumping Duties Ordinance, 2015	No.2((1)/2015-Pub dated February 26, 2015
16	To Act as Member of Small Dispute Resolution Committee	Small Dispute Resolution Committees (Constitution and Procedure) Rules, 2015	Section 4(1)(b)
17	To act as an Expert in the Companies Act, 2017	Companies Act, 2017	Section 2(30)
18	To act as Certifier in the memorandum and articles	Companies Act, 2017	Section 17(3)
19	To act as Auditor for making report in case of return as to allotments	Companies Act, 2017	Section 70(b)
20	To act as an Intermediary in terms of Section 455 of the Companies Act, 2017	Intermediaries (Registration) Regulations, 2017	Section 3(i)(b)
21	To act as an Internal Auditor in the listed companies	Code of Corporate Governance	Code of Corporate Governance
22	To carry out the Audit of Separated Accounts	PTA Accounting Separation Guidelines, 2007	Sub-Clause 9(1)
23	To act as an Expert in the Panel of Insolvency Experts	Corporate Rehabilitation Regulations, 2019	Sub-Clause 4(ii)
24	To act as a Provisional Manager and Official Liquidator	Panel of Provisional Managers and Official Liquidators Regulations, 2019	Sub-Clause 4(a)

*The above furnished details are compiled to the best of our knowledge, however, Worthy Members are encouraged to provide their inputs and feedback on the above information.

TECHNICAL SUPPORT & PRACTICE DEVELOPMENT COMMITTEE