

### President's Communication - 1

Dear Members

After taking over as President of the Institute, I have developed one year's Agenda containing Strategic actions which the Institute will implement to further enhance its image and capacity, as one of the best professional bodies in the world. This Agenda is included in the President's Review in the Institute's Annual report, and I look forward to receiving your input, either through email or in the forthcoming AGM.

Further, I have also decided that I will regularly communicate with you on important decisions and actions taken by the council and other important developments / matters to keep you updated. Accordingly, this is my first Communication that describes some of the significant decisions of the Council and other important developments. I look forward to receiving your feed back on this, and other future communications.

#### **A. STEPS TO ENHANCE THE QUALITY OF ASSURANCE PRACTICE**

The Council has been debating in the past on what steps are required to further enhance the quality of assurance practice, in line with the international best practices. After detailed deliberations and consultation with the Securities and Exchange Commission of Pakistan [SECP], the Council has decided to implement the following:

- (i) **Requirements for the New Certificate of Practice:**
- (a) Applicant must have two years of post qualification experience of carrying out audits of financial statements in the four years preceding the date of the application;
  - (b) Applicant must have complied with the Institute's Continued Professional Development [CPD] requirements;
  - (c) Applicant undertakes that he has sufficient knowledge and understanding of the Code of Ethics of the Institute and must adhere to it at all times; and
  - (d) For applicants who are desirous to conduct assurance related work of listed companies and/or economically significant entities and/or medium sized entities as defined the in fifth schedule to the Companies Ordinance, 1984 [Ordinance] should provide an undertaking that they will comply with the requirements of ISQC-1 at all times.

They will be required to provide to the Institute along with the application an action plan along with time line which should not exceed six months from the date of the application regarding implementation of policies and procedures in line with the requirements of International Standard on Quality Control 1 [ISQC 1] and International Standard on Auditing 220 [ISA 220] issued by the International Auditing and Assurance Standards Board of [IAASB] International Federation of Accountants [IFAC].

**(ii) For Renewal of Certificate of Practice:**

- (a) Applicant must have complied with the CPD requirements of the Institute;
- (b) Applicant undertakes that he has sufficient knowledge and understanding of the Code of Ethics of the Institute and must adhere to it at all times;
- (c) Applicant must have filed with the Institute a list of Audits conducted during the period;
- (d) Practicing members who are already holding Certificate of Practice and desirous to conduct assurance related work of listed companies and/or economically significant entities and/or medium sized entities as defined in the fifth schedule to the Ordinance should provide an undertaking that they will comply with the requirements of ISQC-1 at all times.

They will be required to provide to the Institute along with the application an action plan along with time line which should not exceed six months from the date of the application regarding implementation of policies and procedures in line with the requirements of ISQC-1 and ISA-220 issued by the IAASB of IFAC; and

- (e) Those members who are holding Certificate of Practice but previously not engaged in providing assurance or other assurance related work are also required to have at-least two years of post qualification experience of carrying out audit of financial statements in the four years preceding the date of the application.

Institute will shortly issue a circular that will codify these requirements, including the date from which they will become effective.

**B. PUBLICATION OF SUGGESTED ANSWERS**

The Council has also taken a number of steps to rationalize our education system to bring it in line with international best practices and also to help broaden its scope. I will provide you the details of these reforms in my next communication after these decisions are confirmed by the Council in its next meeting on October 16, 2008. However, in this communication, I am pleased to share with you a major step that will help our students in understanding their results as well as in their future preparation for exams. It has been decided that the Board of Studies, which is an independent set-up from our examination department, will henceforth periodically publish suggested answers. They have also agreed that the first such suggested answers of the Module E & F papers will be published by middle of November 2008.

**C. DECISIONS OF SECP/ICAP JOINT COORDINATION COMMITTEE**

In the last meeting of SECP/ICAP Coordination Committee held on September 4, 2008 the following decisions were taken:

**(i) Transfer Pricing Regulations:**

The requirements relating to Transfer Pricing introduced some years ago in the listing regulations and fourth schedule to the Ordinance will be withdrawn, in line with the recommendations of the Task Force appointed by the SECP for this purpose.

(ii) **Financial Statements of listed companies to be prepared in full compliance with IFRS:**

SECP and ICAP agreed, in principle, to take urgent necessary steps so as to ensure full compliance with IFRS, as far as the financial statements of the listed companies (other than banks and financial institutions) are concerned, in respect of the financial statements for the year ending December 31, 2009. For this purpose, there are only two IFRS (IFRS -1 and IFRS-4) which are to be notified and some changes are required in the Ordinance.

**D. TECHNICAL UPDATE**

In order to keep the members up-to-date and continually informed on all significant developments in the profession, we have decided to introduce a "Technical Update" that will aim to keep you abreast on global and national level developments relating to changes in accounting and auditing standards, corporate governance, taxation and other corporate laws. This Update will be in addition to the monthly News Letter and will be published on 15<sup>th</sup> of every month.

**E. SERIES OF SEMINARS ON NATIONAL AND GLOBAL ECONOMIC CRISIS**

As you are aware, owing to escalating macro economic imbalances, Pakistan is currently facing one of the most serious economic crisis. Also, we are witnessing a virtual melt down of the global financial system, as the financial markets have plunged trillions of dollars in market capitalization in the last few weeks. Therefore, the Institute believes that there is a need for a national debate on both the crises, in order to analyze, understand and propose solutions to the national economic managers for addressing our economic problems, so as to help the economic planners in developing a road map for not only recovering from the current abyss, but also to enable sustained growth and prosperity for the country. Also, the Institute believes that its members need to stay informed and alert to unfolding crisis to enable them to advise their clients and other stakeholders on emerging issues, in their respective fields. Keeping in view these goals, the Institute has decided to hold a series of Seminars, Round Tables and Conferences on the national and international macro economic conditions. The first Seminar is expected to be held in the third week of October.



**Asad Ali Shah**  
**President**