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

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The Institute of Chartered Accountants of Pakistan

ICAP

ASEB Circular No. 10/2025

July 01, 2025

ALL PRACTICING MEMBERS

Dear Practicing Members

Request for Comments - Requirement to maintain Register of Non- Assurance Services for PICs audit clients

Auditors' integrity and independence are crucial for public trust in financial reporting. In the current business environment, where audit firms offer various services, maintaining auditor independence, especially for Public Interest Companies (PICs), is essential. The Institute is dedicated to upholding the highest ethical and professional standards for its members.

The ICAP Code of Ethics, particularly Section 600 on *"Provision of Non-Assurance Services to an Audit Client,"* sets out requirements and prohibitions to safeguard auditor's independence. Furthermore, the PSX Listing Regulations impose specific restrictions and requirements concerning the types of services that an auditor of a listed company may or may not provide.

The International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, requires firms to design and implement a system of quality management that includes processes for the acceptance and continuance of client relationships and specific engagements, including non-assurance engagements.

Paragraph 20(c)(ii) of ISQM 1 requires audit firms to assign operational responsibility to the individual who shall be responsible to ensure compliance with all the matters related to independence.

Proper documentation is an essential element of the ISQM 1 quality objectives, and require firms to prepare documentation of their system of quality management, including an understanding of the personnel roles and responsibilities and the performance of the firm's engagements of various nature and their alignment with the independence requirements as are contained in the ICAP Code of Ethics for Chartered Accountants.

Since ISQM 1 has become effective for the firms performing the audits of Public Interest Companies (PICs) from December 15, 2023, audit firms are required to establish and maintain a record of the firm's engagements including Non-Assurance Services (NAS) to their PIC audit clients.

The objective of this circular is to emphasize firms:

- the importance of adhering to independence requirements when providing NAS to PIC audit clients;
- the establishment and maintenance of a formal Register of NAS as a key control within a firm's System of Quality Management (SoQM), as required under ISQM 1; and
- providing a standardized approach for documenting and monitoring NAS provided to PICs, enhancing transparency and demonstrating compliance to regulators and the public.

To facilitate the firms in maintaining the record of NAS services, the Auditing Standards & Ethics Board (the Board) of the Institute has developed a Template of Register of NAS, attached as **Appendix** to this circular. The Register of NAS will:

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- provide a comprehensive record of all NAS provided to PIC clients, separately for each engagement, including the nature of the service, its scope, fees, rationale, and safeguards applied to mitigate threats to independence, which is necessary for effective independence monitoring.
- ensure that all NAS rendered to PIC clients comply with the ICAP Code of Ethics, PSX Listing Regulations and the requirement of applicable corporate governance regulations.
- confirm that each NAS has been approved by the appropriate authority within the client company, ensuring compliance with applicable corporate governance regulations.
- allow audit firms to transparently demonstrate their compliance with relevant laws and regulations to oversight bodies.
- exclude services which are to be performed by the statutory auditor under any legal or regulatory provision.

The ultimate responsible partner assigned by the firm for the firm's SOQM under ISQM 1 would be responsible for the maintenance of the Register of NAS to PICs, for all the engagements, as part of the firm quality management documentation for NAS provided to PICs. The Register is required to be maintained and updated at least annually or more frequently as new NAS are engaged, or existing services are modified.

Once mandated by the Institute, all firms will ensure that the Register of NAS is readily accessible as part of their overall quality management and independence framework.

Request for Comments:

Your comments and feedback are requested on maintaining the Register of NAS for PIC audit clients and the attached template. Comments can be sent at the Board's email id at: aseb@icap.org.pk latest by July 22, 2025.

Yours truly

Farheen

Farheen Mirza, FCA
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& Secretary Auditing Standards & Ethics Board