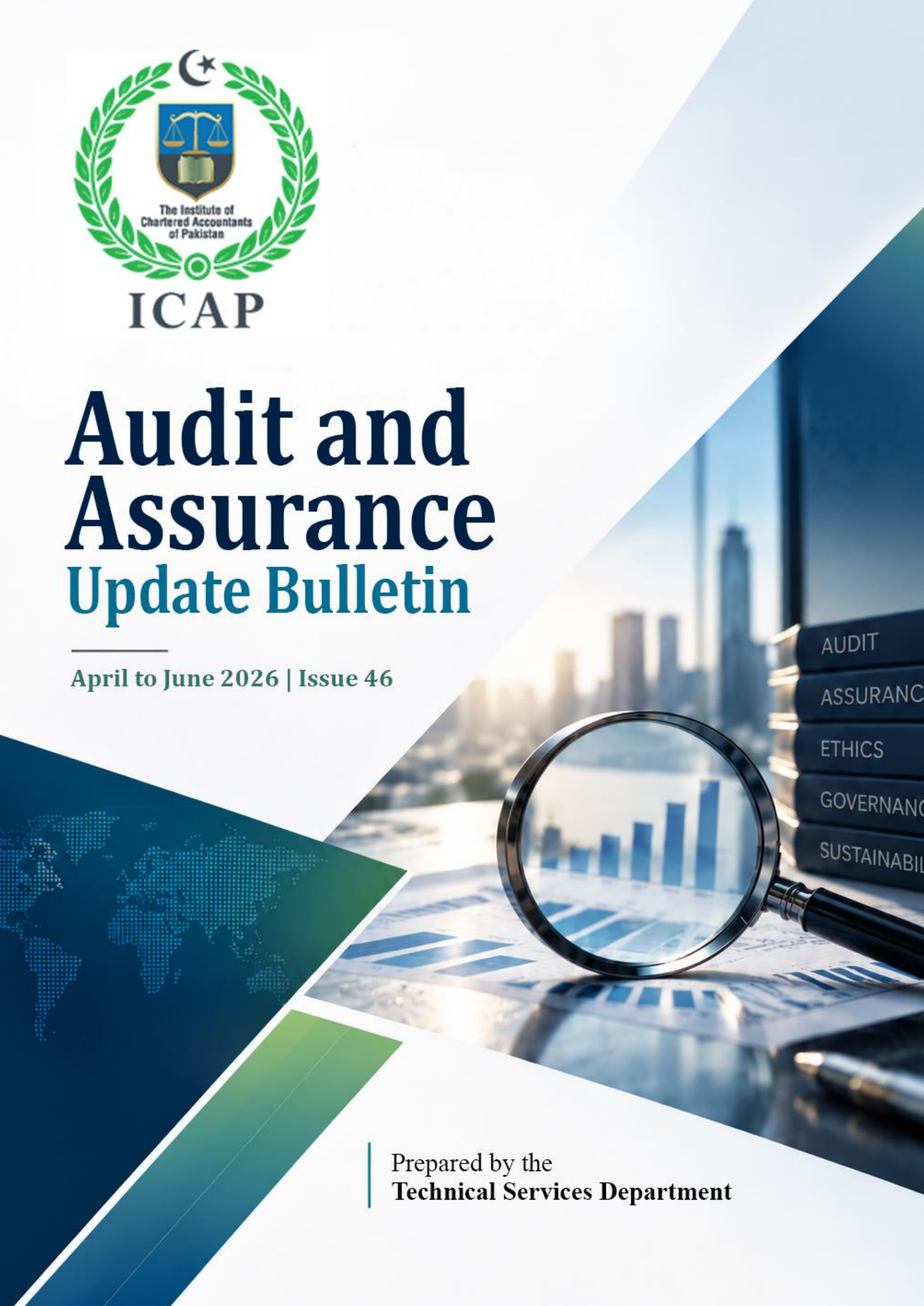
The Institute of Chartered Accountants of Pakistan

ICAP

Audit and Assurance

Update Bulletin

April to June 2026 | Issue 46



Prepared by the
Technical Services Department

Audit & Assurance Update Bulletin

Period: April – June 2026 | **Issue:** 46

This bulletin summarizes key national and international developments in auditing, assurance, and ethics standards during the quarter, with links to source publications for further detail.

At a glance

- **Revised ISA 240 (Fraud) and ISA 570 (Going Concern) issued, effective for periods beginning on or after 15 December 2026; early adoption permitted.**
- **PIC audit engagements: Directive requires audit firms to plan and document budgeted versus actual time and related variances for financial years beginning after 1 July 2025.**
- **Code of Ethics: Exposure Draft proposes adoption of the 2025 IESBA Code.**

1. Updates from the Auditing Standards & Ethics Board (ASEB) — Pakistan

1.1 Exposure Draft of the Code of Ethics for Chartered Accountants (Revised 2025)

What's new: The Auditing Standards & Ethics Board (ASEB) of ICAP has published Circular No.7/2026 inviting comments on the Exposure Draft of the Code of Ethics. The primary change in the updated edition is two new sections on tax planning and related activities namely Section 280 for accountants in business and Section 380 for accountants in public practice.

Deadline: Open until **May 26, 2026** for comments.

Reference: ASEB Circular No. 7/2026

Implications for audit firms:
Review the proposed changes, particularly the new requirements on tax planning and related activities, assess potential impacts on firm policies and engagements.

2. International developments

2.1 IESBA Launches Surveys for Post-implementation Reviews of NOCLAR Standard and the Restructured Code

What's new: The International Ethics Standards Board for Accountants has launched global stakeholder surveys as part of Post-Implementation Reviews of the NOCLAR provisions and the Restructured Code to assess whether they work as intended in the public interest, gathering feedback on adoption, benefits, challenges, and improvements in clarity and enforcement.

Reference: IESBA announcement (April 1, 2026)

Implications for audit firms:
Firms are encouraged to participate in the IESBA surveys and provide practical feedback on the implementation, benefits and challenges associated with NOCLAR and the Restructured Code.

2.2 IESBA Snapshot: Post-Implementation Reviews of NOCLAR Standard and Restructured Code

What's new: The International Ethics Standards Board for Accountants (IESBA) released a Snapshot on its Post-Implementation Reviews (PIRs), explaining that the reviews assess whether standards are operating as intended and whether further action is needed. The Snapshot addresses questions relating to:

- NOCLAR (2016/2017) — framework for responding to actual or suspected non-compliance with laws and regulations.
- Restructured Code (2018/2019) — aimed at improving clarity, usability, enforceability, and global adoption of the Code.

Reference: IESBA snapshot (April 1, 2026)

Implications for audit firms:
Review the effectiveness of existing NOCLAR and ethical policies and procedures, identify implementation challenges, and monitor the outcomes of the post-implementation reviews for potential changes to the Code.

2.3 IAASB eNews April 2026

What's new: IAASB's March 2026 update highlights key developments in standard-setting and implementation activities. During the meeting, the Board approved:

- Exposure Draft of ISRE 2410 (Revised);
- Technology quality management guidance; and
- Revisions to ISA 501 and ISA 505.

The Board also progressed work on audit evidence, ISA for LCE, and subject matter-specific assurance engagements. In addition, IAASB and IESBA launched a joint User Advisory Group, with its first meeting held on 2 April 2026, to strengthen ongoing user input into standard setting.

Looking ahead, IAASB will continue modernizing ISRE 2410, support ISSA 5000 implementation, conduct outreach on ISA for LCE revisions, and hold key meetings during April–June 2026.

Reference: IAASB eNews (April 13, 2026)

Implications for audit firms:
Monitor the proposed revisions to ISRE 2410, ISA 501 and ISA 505 and technology quality management guidance, and assess potential implications for audit methodologies, training and quality management systems.

2.4 IAASB Seeks Feedback on Proposed Revisions to ISRE 2410 to Strengthen Interim Review Engagements

What's new: The IAASB has issued an Exposure Draft proposing comprehensive revisions to ISRE 2410, Review of Interim Financial Information by the Independent Auditor of the Entity's Annual Financial Statements, marking the first major review of the standard since 2005.

The proposed revisions aim to strengthen interim review engagements by clarifying their nature and distinction from audits, enhancing requirements relating to going concern, fraud and non-compliance with laws and regulations (NOCLAR), improving transparency in review reports, and introducing updates on quality management, materiality and group review engagements.

Reference: IAASB announcement (May 6, 2026)

Implications for audit firms:
Review the proposed revisions, particularly those relating to fraud, going concern, NOCLAR, quality management and reporting, and consider providing comments to the IAASB.

2.5 IESBA Releases Guide on Proportionality of the IESBA Code

What's new: The International Ethics Standards Board for Accountants (IESBA) has issued a new staff publication, Proportionality of the IESBA Code, to help professional accountants, particularly small and medium practices (SMPs), understand how proportionality is embedded within the IESBA Code.

The guide explains that while all accountants are required to comply with the same fundamental ethical principles, the Code adopts a scalable and principles-based approach that allows its requirements to be applied in proportion to the nature, size and circumstances of an engagement.

Reference: IESBA announcement (May 21, 2026)

Implications for audit firms:
Apply the IESBA Code proportionately to the nature, size and circumstances of engagements while maintaining compliance with fundamental ethical principles and independence requirements.

2.6 IAASB Releases New ISSA 5000 Materiality FAQs to Support Consistent, Effective Application in Sustainability Assurance Engagements

What's new: The IAASB issued FAQs on materiality under ISSA 5000 to support the consistent and effective application of sustainability assurance engagements. The guidance explains how both reporting entities and assurance practitioners apply materiality in the context of sustainability information and provides illustrative examples for practitioners and other stakeholders without changing the requirements of ISSA 5000.

Reference: IAASB announcement (June 25, 2026)

Implications for audit firms:
Incorporate the ISSA 5000 materiality FAQs into sustainability assurance methodologies and engagement training to support consistent application and documentation of materiality judgments.

2.7 IESBA Snapshot: Ethics and Independence Approach to the Use of Technology

What's new: The International Ethics Standards Board for Accountants - IESBA's Snapshot on Technology explains how the IESBA Code addresses ethical and independence challenges arising from technologies such as AI, digital assets, and cloud platforms. IESBA has adopted a structured, three-pillar approach to address the ethical implications of technology:

- Keeping the Code fit for purpose. In 2023, IESBA approved targeted, principles-based revisions to the Code to make it explicit that technology is a source of ethical risk and support professional accountants in managing that risk. These revisions became effective in December 2024.

- Continuous horizon scanning. IESBA has established a standing Technology Expert Group of eight practitioners to monitor emerging developments in real time, including AI and agentic AI, digital assets, cybersecurity, and quantum computing.

- Supporting the profession. IESBA has been developing practical, non-authoritative guidance materials, and conducts targeted outreach and communication to help professionals understand and apply the Code in technology-related contexts.

Reference: IESBA announcement (June 11, 2026)

Implications for audit firms:
Assess ethical and independence risks arising from AI, digital assets, cloud platforms and other emerging technologies, and ensure appropriate policies, controls, training and professional judgments are in place.

2.8 Targeted Ethics Code Update on Firm Culture and Governance

What's new: The IESBA approved a targeted update to the Code to strengthen firm culture and governance, introducing a single overarching ethical requirement supported by eight proposed interconnected Firm Culture and Governance (FCG) elements (ethical leadership, oversight and governance, independent input, accountability, incentives and disincentives, open discussion and challenge, education and training, and transparency). Practical guidance and educational materials to support awareness-raising and consistent adherence to the Code's ethical provisions will be developed in parallel in collaboration with firms, jurisdictional standard setters, and professional accountancy organizations.

Reference: IESBA announcement (June 15, 2026)

Implications for audit firms:
Monitor the proposed Firm Culture and Governance requirements and consider strengthening ethical leadership, governance, accountability, challenge, training and transparency within the firm in anticipation of future changes.

Comments & feedback
The Technical Services Department welcomes your comments and feedback. Please share them at: sheheryar.abdullah@icap.org.pk

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