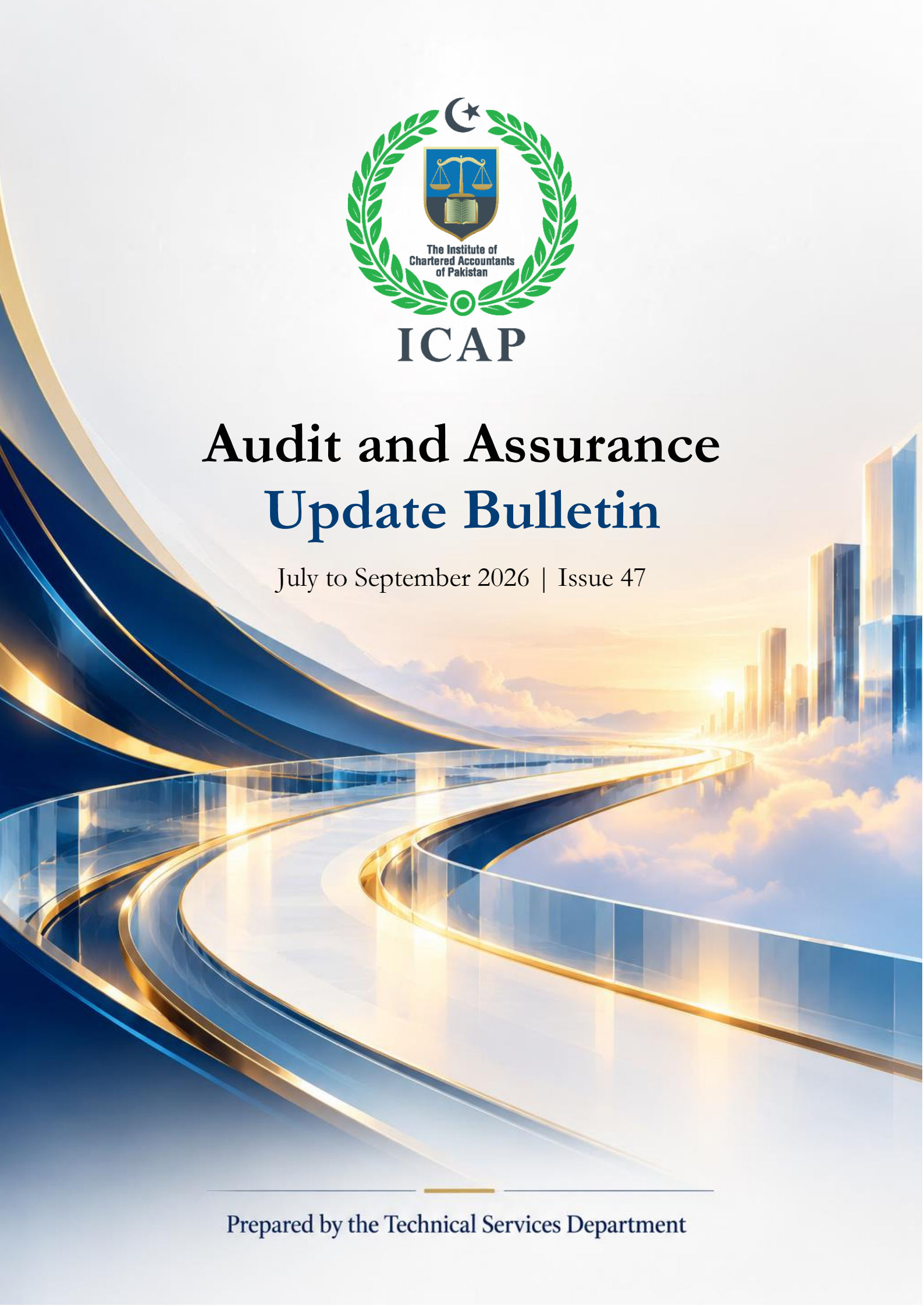
The Institute of Chartered Accountants of Pakistan

ICAP

Audit and Assurance
Update Bulletin

July to September 2026 | Issue 47



Prepared by the Technical Services Department

Audit & Assurance Update Bulletin

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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

- **Amendments to Section 370 of the ICAP Code of Ethics concerning public notices, announcements and communications, and the deferral of Section 604.**
- **Proposed revisions to ISA 330, ISA 500 and ISA 520 to strengthen risk responses, audit evidence and analytical procedures.**
- **A planned targeted update to the IESBA Code to establish a consistent baseline for ethical culture and governance within firms.**

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

1.1 Amendments to Section 370 of the ICAP Code of Ethics for Chartered Accountants (Revised 2024) - Public Notices, Announcements and Communications Undue Publicity be Avoided

What's new: The Council of the Institute, in its 416th meeting held on June 7, 2026, approved the inclusion of the new clauses in Section 370 of the ICAP Code of Ethics for Chartered Accountants (Revised 2024) relating to participation in exhibition, Use of display/sign boards, and knowledge partner.

Reference: ASEB Circular No. 8/2026

Implications for audit firms:
Audit firms should review and comply with the amended Section 370 of the ICAP Code of Ethics.

1.2 Applicability of Section 604 of the ICAP Code of Ethics for Chartered Accountants (Revised 2024)

What's new: In view of number of representations received from members regarding the applicability of Section 604 of the ICAP Code of Ethics for Chartered Accountants (Revised 2024), which became effective from January 1, 2026, as notified through Circular No. 11/2024 dated September 12, 2024, the Council has decided to defer the applicability of Section 604 for the time being.

Reference: ASEB Circular No. 9/2026

Implications for audit firms:
Audit firms should continue to comply with existing ethical and regulatory requirements.

2. International developments

2.1 IAASB eNews July 2026

What's new: The IAASB July 2026 eNews highlighted key developments, including approved exposure drafts, implementation support, and upcoming consultations.

Key updates include:

- Approval of Exposure Drafts on ISA 330, ISA 500, ISA 520, and revisions to the ISA for Less Complex Entities (LCE);
- Continued implementation support for the ISA for LCE and ISSA 5000, including FAQs and jurisdictional adoption updates;
- Progress on Technology Quality Management, the Technology Catalog, and the 2026 IAASB Handbook; and
- Q3 2026 consultations on the ISA for LCE, ISA 330/500/520, while ISRE 2410 (Revised) remains open for comment until 3 September 2026.

Reference: IAASB announcement (July 13, 2026)

Implications for audit firms:
Audit firms should monitor ongoing IAASB initiatives and assess their potential implications for audit methodologies, quality management, technology adoption and staff training.

2.2 IAASB Proposes Targeted Revisions to the ISA for Audits of Less Complex Entities

What's new: The IAASB issued an Exposure Draft proposing revisions to the ISA for Less Complex Entities (LCE) and invited comments by 17 November 2026.
The proposed revisions:

- Update the standard for recent changes relating to fraud, going concern, publicly traded entities, and experts;
- Aim to keep the ISA for LCE proportionate, robust, and aligned with recent auditing and ethics developments; and
- Seek feedback on the proposed revisions and the future maintenance of the standard.

Reference: IAASB announcement (July 22, 2026)

2.3 IESBA Staff Publication Highlights Ethical Considerations for Accountants Using Emerging Technologies

What's new: The IESBA has issued a staff publication providing a characteristics-based approach to help professional accountants identify and address ethical risks arising from emerging technologies.

Key highlights:

- Covers AI, machine learning, distributed ledger technology, quantum computing and robotic process automation.
- Identifies technology characteristics (e.g., opacity, autonomy, adaptability, scalability and data dependence) that may create or amplify threats to the fundamental principles in the IESBA Code.
- Reinforces that accountant remain responsible for professional judgments and decisions, requiring appropriate human oversight and application of the Code's conceptual framework.
- Emphasizes continuous learning and technological literacy to maintain professional competence.
- Highlights coordination with the IAASB's Technology Quality Management initiative.
- Announces that this is the first in a series of technology publications, with AI-specific guidance to follow.

The publication supports the ethical adoption and use of emerging technologies while promoting consistent application of the IESBA Code.

Reference: IESBA announcement (July 15, 2026)

Implications for audit firms:
Audit firms should establish appropriate safeguards for technology-related ethical risks, maintain human oversight and professional skepticism, and provide ongoing technology training to staff.

2.4 Targeted Code Update on Firm Culture and Governance

What's new: The IESBA has decided to address firm culture and governance through a targeted update to the IESBA Code by introducing a single overarching requirement supported by limited application material covering eight key elements of ethical culture and governance. The approach is intended to establish a globally consistent ethical baseline while minimizing compliance burden through non-prescriptive requirements, complemented by practical implementation guidance developed with stakeholders. An exposure draft is planned for December 2026, with final approval expected by the end of 2027.

Reference: IESBA announcement (July 15, 2026)

Implications for audit firms:
Audit firms should assess whether their governance arrangements and internal policies promote ethical conduct and monitor the forthcoming exposure draft expected in December 2026.

2.5 IAASB Proposes Revisions to Core Standards to Enhance Risk-Based Audit Framework and Address Technological Advances

What's new: The IAASB released proposed revisions to ISA 330 (The Auditor's Responses to Assessed Risks); ISA 500 (Audit Evidence); and ISA 520 (Analytical Procedures). The proposals aim to further strengthen the principles-based, risk-based audit framework, enhance requirements relating to audit evidence and responses to assessed risks, and address the increasing use of technology in auditing and financial reporting.

The proposed revisions also seek to promote consistent application of professional judgment and professional skepticism while maintaining standards that remain relevant amid technological developments. Stakeholders are invited to submit comments by December 15, 2026.

Reference: IAASB announcement (August 05, 2026)

Implications for audit firms:
Firms should assess the potential impact on risk responses, audit evidence and analytical procedures, including the use of technology, and consider submitting feedback by 15 December 2026.

2.6 IAASB Announces Additional Ways to Engage on Audit Evidence and Risk Response Proposals

What's new: The IAASB announced additional opportunities for stakeholders to provide input on its proposed revisions to ISA 330 (The Auditor's Responses to Assessed Risks); ISA 500 (Audit Evidence); and ISA 520 (Analytical Procedures). These include a targeted User Consultation Survey for investors, analysts, lenders and other users of financial statements, focusing on selected aspects of the proposals, as well as a two-part global webinar series covering the proposed revisions and their application. The exposure drafts and User Consultation Survey are open for input until 15 December 2026.

Reference: IAASB announcement (August 26, 2026)

Implications for audit firms:
Audit firms should participate in IAASB webinars and consultation opportunities to share practical feedback and help shape the proposed revisions to ISA 330, ISA 500 and ISA 520.

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

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