



**The Institute of
Chartered Accountants
of Pakistan**

**CA
PAKISTAN**

HEAD OFFICE

Technical Director
IFAC
529, Fifth Avenue, 6th Floor,
New York, USA

May 31, 2016

Invitation to Comment, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits

Dear Sir/Madam,

The Institute of Chartered Accountants of Pakistan welcomes the opportunity to offer comments on the above ITC.

Please find enclosed the comments of the relevant Committee of the Institute for your perusal.

If you require any further clarification, please do not hesitate to contact us.

Yours faithfully,

Farheen Mirza
Senior Manager Technical Services
The Institute of Chartered Accountants of Pakistan

ICAP comments on "Invitation to Comment, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits"

Introduction

This consultation paper was issued by IAASB (the Board) with the objective of enhancing audit quality worldwide. The paper focuses its attention on three areas which IAASB believes are critical to improving audit quality. In particular, it discusses potential standard-setting activities the Board could undertake in these areas to achieve this objective. It is accompanied by an "Overview" document which summarizes the key areas the IAASB is exploring and the direction it may take. This document is particularly aimed at encouraging feedback from investors, audit committees, and preparers on these important issues because these stakeholders may not usually engage with the Board on audit technical matters but their input will be important in setting the Board's direction on these topics.

Professional Skepticism

Auditing is fundamentally behavioral in nature and, therefore, standards should address requirements and application material need to be designed in a way that will promote the mind-set necessary for appropriate application of professional skepticism and professional judgment.

This is fundamentally important to apply professional skepticism in the audit procedure. ICAP supports measures that can help auditors in the practical application of professional skepticism. Exploring how individual auditor behaviors, and inherent conscious and unconscious biases, impact the application of professional skepticism is critical to understanding how to better promote its consistent application. Changes to auditing standards cannot address all of the issues being raised about skepticism as it is only the mindset / behavioral aspects which impact professional skepticism.

Quality Control

Quality control standards should be designed to embed and reinforce audit quality throughout the audit process, by focusing on:

- the key inputs and drivers of audit quality, rather than primarily relying on detective measures;
- identifying and assessing the risks to achieving audit quality as a basis for designing and implementing quality processes and controls that are commensurate with identified risks; and
- Promoting continuous improvement.

A culture of, commitment to quality is fundamental need for the audit firms, audit engagements and auditors. There has to be an unwavering focus on delivering the high quality audits expected by stakeholders, including investors, those charged with governance, regulators and the public. The concept of a Quality Management Approach (QMA) is entirely consistent with this goal and ICAP supports the Board in exploring how a QMA can be incorporated effectively into ISQC1.

ISQC 1 has moved the audit profession's thinking forward about the role each firm plays in promoting, supporting and managing quality in the audits, reviews, and other assurance and related services. Focus of ISQC 1 on the recognised drivers on audit quality (quality elements) has provided a structure for firms to develop their quality controls and systems. The requirements in ISQC 1 quality management systems and review should be an integral part of Quality Review programme.

The term audit quality encompasses the key elements that create an environment which maximizes the likelihood that quality audits are performed on a consistent basis. A quality audit is likely to have been achieved by an engagement team that:

- Exhibited appropriate values, ethics and attitudes;
- Was sufficiently knowledgeable, skilled, and experienced and had sufficient time allocated to perform the audit work;
- Applied a rigorous audit process and quality control procedures that complied with law, regulation and applicable standards;
- Provided useful and timely reports; and
- Interacted appropriately with relevant stakeholders.

