

Report of the

27th SAFA Board Meeting

held on 17th June, 2013
at Colombo, Sri Lanka

▶ Abdul Rahim Suriya, FCA, FCMA

Brief summary of the matters discussed in the SAFA Board meeting :

Mr. Abdul Mannan, President SAFA In his opening remarks, stated that spirit of SAFA should be maintained and emphasized on the need of greater cooperation amongst SAFA member bodies.

Comparative study of Fiscal & Tariff Regimes in SAFA countries

The draft study was circulated by the SAFA Secretariat to all the member bodies with a request to update the relevant information pertaining to their country . The Committee decided that the updating of the study should be a continuous process and should be updated every year since the Fiscal and Tariffs keeps changing every year in all the countries. He added that it was noted that the date of presentment of annual budget of each country is different and varies from January to July. Therefore, the Committee decided 15th August of each year as deadline for sending the updated information to the Secretariat and based on the information so received, the study would be updated on annual basis by September 15

Questionnaire for preparing a comparative study of Transfer Pricing and International Taxation provisions in SAFA countries especially with regard to Double Taxation Avoidance Treaties

The task of developing and circulating the questionnaire was assigned to The Institute of Chartered Accountants of Nepal (ICAN). In January 2013 Sri Lanka Institute agreed to volunteer assistance to ICAN in Questionnaire development process. The board was apprised that a draft note on International Taxation provisions in SAFA countries especially with regard to Double Taxation Avoidance Treaties along with the possible questions, was discussed at the meeting of the Committee. It was decided that by 30 June 2013, the draft questionnaire would be sent to ICAN and then will be circulated to all members of the Committee to offer their comments/ inputs/suggestions on the draft questionnaire within one month time i.e. August 15, 2013.

Comparative Study of the provisions of Transfer Costing in SAFA countries

The task of preparing Comparative Study of the provisions of Transfer Costing in SAFA countries in lines with the

study on Transfer Pricing was assigned to Committee on Professional Accountants in Business (PAIB).

Task Force to Harmonize the BPA criteria being followed by SAFA Member Bodies

The Task Force had a detailed discussion at the meeting on the national criteria being followed by SAFA member bodies for evaluation of the winners. The issue was raised that Nepal and Bangladesh are following the same SAFA criteria at national level for giving BPA Awards; while Pakistan, India and Sri Lanka are using different criteria.

Mr. Abdul Rahim Suriya, ICAP Pakistan mentioned that in Pakistan the criteria caters the local need and ICAP have adopted the best practices. The Corporate Reports in Pakistan, in certain areas, are better than developed countries reports.

Task Force was of the view that qualified report should not be considered at all for the competition, negative marking was recommended for non-compliance of regulatory requirements of respective SAFA country, and review of annual report by Industry expert and regulatory requirement review should also be introduced at national level.

SAFA Regional Standard Setters Conference 2013 at Colombo, Sri Lanka

Mr. Arjuna Herath informed that next Regional Standard Setters Conference was planned to be hosted by CA Sri Lanka coinciding with AOSSG meetings in the last week of November 2013. At the request of ICAI, it was decided to change the dates that would be communicated to the members shortly.

Restructuring the existing organizational structure of SAFA

Mr. Sujeewa Rajapakse had written to all the past Presidents of SAFA for their views on the organizational structure and the need of both Assembly and the Board. Based on the responses received the Task Force is of the view that to exercise proper governance and to have an effective work to be done through the Committees both Assembly and Board should remain as it is and no change is required in the existing organizational structure.

Task Force to develop a strategy to combat corruption in SAARC Region

The Board formulated a Task Force to develop a strategy to combat corruption in SAARC Region under the Chairmanship of Mr. Abdul Bashir, Deputy Auditor General, Pakistan & Member National Council ICMA. The Board requested representative of ICMA for expediting on the matter.

1. Training program proposal received from Audit Office of Maldives for staff and other Public Sector Organisations and
2. also for staff of Maldives Inland Revenue Authority

The Board noted that these had been forwarded to CPA Maldives who had sought for certain clarification on the proposal such as the duration of the training, financials, profile of faculties etc.

CA Sri Lanka has signed MoU with CPA Maldives for technical cooperation.

To develop Concept Paper for developing Ethical Framework for SMPs

Mr. Ghulam Mustafa Qazi, ICMA had to prepare a Concept paper for developing ethical framework for SMPs. SMP Committee had formed a small sub group to further deliberate on the matter. Mr. Anwaruddin Chowdhury suggested that the Code of Ethics for SMPs can not be different from the Code of Ethics applicable to all practicing members. Mr. Sujeewa Rajapakse suggested that the Code of Ethics of respective SAFA member bodies should be considered while finalizing its recommendations.

Concept Paper on the need of Quality Assurance and the relaxations of certain conditions for SMPs

Mr. Nazir Chaudhari, ICAP Pakistan had to develop a Concept Paper on the need of Quality Assurance and the relaxations of certain conditions for SMPs. The matter was also discussed at the meeting of SMP Committee and a small sub group has been formed to study the matter. The sub group will place its recommendation at the next meeting of the Committee.

Resolution proposed by Task Force to address Risk & challenges to Accountancy Profession in SAFA Region

Mr. Abdul Rahim Suriya of ICAP apprised that the Task Force had decided that a guideline would be prepared by the Task Force. Mr. Lakshman Watawala has been authorized to finalise the questionnaire in this regard for circulation amongst SAFA member bodies which will provide input from all members countries.

Developing SAFA Standard and Guidelines for Education, Training and Assessments –Proposal of the Institute of Chartered Accountants of Sri Lanka

Mr. V. Murali, Chairman, Committee on Education, Training and CPD informed that the Committee on consideration of the proposal decided to develop Regional Standards based on International Education Standards issued by IAESB of IFAC. He further informed that the Committee also discussed the concerns raised at the previous meeting and decided to replace the word 'CA' by 'Professional Accountant' to address the concern. Committee at its next meeting would discuss in detail the broad educational standards required at regional level on education, training, IT and soft skills development that would be applicable for both CA & CMA member bodies.



World Congress of Accountants 2014 at Rome, Italy

Scientific Committee of WCOA 2014 has been working on the WCOA 2014 program and will contact SAFA and other IFAC Acknowledged Accountancy Groupings and Regional Accountancy Bodies in due time for inputs and suggestions.

Comparative Study on the status of Accrual Based Accounting in SAFA Countries would be considered as a separate agenda item.

Restructuring of existing Committee System and amendment in SAFA Constitution

Task Force noted that the tenure of three years of existing Committees started w.e.f. 1st January 2011 after revision of Constitution in August 2010, except International Relations Committee that was formed in 2013. Therefore the term of various Committees except International Relations Committee would come to end on 31st December 2013. Task Force also expressed serious concern on the continuity issues and highlighted the following recommendations on the existing Committee system:

- i) To have continuity of same members on the Committees
- ii) Chairman to be Member of the Council or member of relevant Committees of respective Institutes
- iii) All Committees to have Deputy Chairman appointed by Committee ratified by SAFA Board
- iv) The tenure of the Chairman, Deputy Chairman and the Committee should be two years.
- v) Chairmanship from each Institute to be rotated every six years and the Institute chairing the Committee will provide full technical support to the Committee for its efficient working and for maintenance of records.
- vi) Where Institutes have exceeded 6 years to continue for a further period of two years before change

- vii) Chairmanship will be rotated amongst Institutes in order to provide opportunities to other Institutes.

On issue of tenure of President and Vice President, the Task Force has recommended no change in the existing tenure of one year.

Proposal from Institute of Chartered Accountants of India to host the SAFA meeting

coinciding with CAPA meetings and ICAI International Conference at Kolkata, India

The Board decided to hold SAFA Board and Committee meetings on 21st November 2013. and if needed some of the Committee meetings could also be organized on 20th November 2013.

Forthcoming SAFA events

After detailed deliberations, the following schedule of meetings/events was tentatively planned for 2013:

- ▶ SAFA Board, Committee meetings and Conference in September 2013 at Dhaka, Bangladesh to be hosted jointly by ICAB & ICMAB.
- ▶ SAFA Board/Committee meetings proposed to be hosted by Institute of Chartered Accountants of India coinciding with the CAPA meetings & International Conference at Kolkata, India on 21st November 2013.

Member Body Report - The Institute of Chartered Accountants of Pakistan (icap)

1. (a) Independent Oversight of the Audit Profession:

Audit oversight is entirely unknown in Pakistan. To enhance **Quality** the Institute of Chartered Accountants of Pakistan (ICAP) had set up a Quality Control Review Committee (QCRC) for monitoring the quality of audits through a voluntary programme in 1987. Quality reviews by the QCRC were made mandatory in 2002 following the issuance of the Code of Corporate Governance (CCG). The CCG requires that a listed entity would only appoint that firm of chartered accountants as its statutory auditors which has been provided a satisfactory rating by the QCRC. That QCRC was in 2005 converted into a Quality Assurance Board (QAB) with a revised framework. The QAB continues to function independently of the Council and to further enhance its credibility a number of its members are nominated directly by the Securities and Exchange of Commission (SECP) and a member is also nominated by the State Bank of Pakistan. In Pakistan, the concept of having an independent audit oversight system is now gaining currency. Following discussions in the Council, a committee, which includes representatives from ICAP and SECP, is at present in the process of deliberating upon the mechanism of setting up of an independent audit oversight board in Pakistan

and drafting its framework. Once their deliberations are concluded the draft framework is expected to be shared with the ICAP members for their information and input.

(b) Status of Audit Law and Cost Accounting standards:

A Committee comprising of representatives of ICAP, SECP and ICMAP has been constituted to formulate the Cost Accounting Standards. The first draft of the Cost Accounting Standard on "Classification of Cost" is under consideration of the Committee. It has also been agreed by the Committee that before developing Cost Accounting Standards a comprehensive Cost Accounting Framework be developed. There is also a view that whether all such costing standards should be aligned with IFRS/IAS and should not be developed in isolation.

(c) Revision of Framework of the Quality Control Review (QCR) Program:

Revision of Framework of the QCR Program is under consideration of the QAB. In addition to this format of composite report which would cover both reviews i.e. engagement review and firm review under ISQC-1 has also been finalized by the QAB. The above matter will be sent to the Council for its approval soon.

2. (a) Director's Training Program:

SECP approved the directors' mandatory training certification program of ICAP. It is required to be completed by every director of a listed company. The Institute launched the program and in first four programs, 128 directors of the leading listing companies passed out. The objective of this program is to acquaint them with the Code, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the listed companies for and on behalf of shareholders. DTP is a Pakistan specific course but aims to create familiarity with global principles of corporate governance. This is a four day certificate course which covers the broader perspectives and principles of corporate governance, applicable laws, financial and strategic management, reporting and communications.

(b) Awareness Session with SECP on revised Code of Corporate Governance 2012:

In order to respond to the concerns and enable better understanding of the revised Code of Corporate Governance 2012, SECP had conducted awareness sessions at all three stock exchanges targeted towards CEOs, CFOs, Company Secretaries and Internal Auditors of the listed companies. Owing to the robust membership and the fact that ICAP members are actively involved in implementing revised code in their roles as CFOs, Company Secretaries, Internal Auditors, External Auditors, Board Members and CEOs, the SECP in collaboration with ICAP has conducted

an awareness session on Revised Code of Corporate Governance 2012 on **June 11, 2013** at ICAP Karachi.

3. Syllabus and Study Packs:

ICAP has revamped the Chartered Accountancy qualification by incorporating latest developments in curriculum and structure and had launched its Education Scheme 2013 on May 28, 2013. The new structure will facilitate the students to undertake the contemporary and future challenges of business, finance and economy. The new modular system has 4 tiers of CA qualification and each stage has stand-alone recognition. Each certification has its own market recognition and will open up new employment avenues. To facilitate CA students revised syllabus and exam specific study material has also been introduced. The objective is to make ICAP's education and examination fully compatible with those of other leading Chartered Accountant institutes and to meet the growing expectations of the market from Chartered Accountants. The revision of curriculum and syllabus was by an independent review of the same was also carried out by a professional body. The Institute is also in process of publishing its first official study support material. The Institute has engaged a UK based publisher to produce a high class exam aligned study packs for all examinations. After witnessing sharp growth during 2007-2009, the intake declined from the boom figure of 4700 in 2008 to 3400 in 2012. Now the intake is in stagnation mode and we expect it to improve with this reform.

4. Status of foreign accountancy bodies:

The Institute refrain all its Training Organizations from engaging students of foreign accountancy bodies (ICAEW and ACCA).

5. ISAE 3402 – 'Assurance Reports on Controls at a Service Organization' and ISAE 3420 'Assurance Engagements to Report on the Compilation of Pro-Forma Financial Information Included in a Prospectus' have been adopted.

6. IFRS for SMEs and 'Islamic Financial Accounting Standard 3 – Profit and Loss Sharing on Deposit Accounts' is in process of being notified by the Securities and Exchange Commission of Pakistan.

7. Roundtables are being held on the following IFRS for seeking stakeholder comments before recommending for adoption to the Council:

- ▶ IFRS 10 Consolidated Financial Statements;
- ▶ IFRS 11 Joint Arrangements

8. The Committee On Accounting & Auditing Standards For Interest Free Modes Of Financing And Investments (IBC):



The Islamic banking committee of ICAP has completed the work on the Standard on 'Profit and Loss Sharing on Deposits' which has been sent to the SECP for notification. Following Islamic banking standards are under the consideration of the committee:

- Standard on 'Diminishing Musharaka'
- Accounting Standard No. 4 on Musharaka Issued by Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain
- Financial Reporting Framework for the Preparation and Presentation of Financial Statements of Islamic Financial Institutions Subsequent to the Notification of Islamic Financial Standards.

Invitation To Comment (ITC) on Improving the Auditor's Report issued by IAASB:

This ITC sets out the IAASB's indicative direction proposed for the future auditor's report. The IAASB has identified number of improvements to auditor reporting and after this ITC, Auditor's report format would be significantly changed; the most important is the inclusion of Auditor's Commentary in the audit report. ICAP's relevant committee had formulated comments on this ITC and sent to IAASB in October 2012.

9. Best Corporate Report and Best Sustainability Report Awards:

In order to encourage the public listed companies to improve the quality of their Annual Reports, particularly in relation to disclosures as well as corporate governance, the Joint Committee of the Institute of Chartered Accountants of Pakistan and Institute of Cost & Management Accountants of Pakistan has been awarding the Best Corporate Report Awards for last thirteen years. Annual reports are evaluated on the basis of the 'Criteria' which is reviewed on a regular basis

in order to keep pace with the international best practices and the local reporting frameworks.

The BCR Criteria includes voluntary disclosures such as a 'Forward Looking Statement' Vertical & Horizontal Analysis of the financial statements, summary of issues rose in the last Annual General Meeting and its implementation status, calendar of major events, and a complete section on corporate governance including disclosure of policies for Investors' grievances, safety of records of the company,

Furthermore in order to promote the responsible reporting by companies covering the economic, environment and social performance of the business, the joint committee of ICAP and ICMAP included a new award namely, 'Best Sustainability Report Award' in 2011. The Criteria is based on internationally recognized Framework; G3 Guidelines of Global Reporting Initiative (GRI), an international standard on Sustainability Reporting that has also been recommended by the International Federation of Accountants (IFAC).

10. Number of Members of ICAP:

Description	No. of Members
Overseas	1352
Practicing	760
Non-Practicing	3946
Total Active Members	6058

11. Composition of Council and Government Nominees:

Affairs of ICAP are governed by a Council comprising of 19 members. 15 members of the Council are elected by ICAP members and 4 council members are nominated by the Federal Government. Current nominees of the Government are Chairman SECP, Chairman FBR, Deputy Auditor General of Pakistan, and Secretary Finance. Apart from its core functions, ICAP contributes in promoting corporate governance, formulating economic policies of Federal and Provincial Governments including federal budget making with specific focus on taxation. ICAP is also a prominent participant of professional activities and development at international level.