

## Guidance for Auditors Disclosure Requirements for Shariah Compliant Companies and Companies Listed on Islamic Indices

The Institute's Technical Services team has prepared this brief with the objective to draw attention of auditors, carrying out audit engagements of Shariah Compliant Companies and the Companies Listed on Islamic Indices.

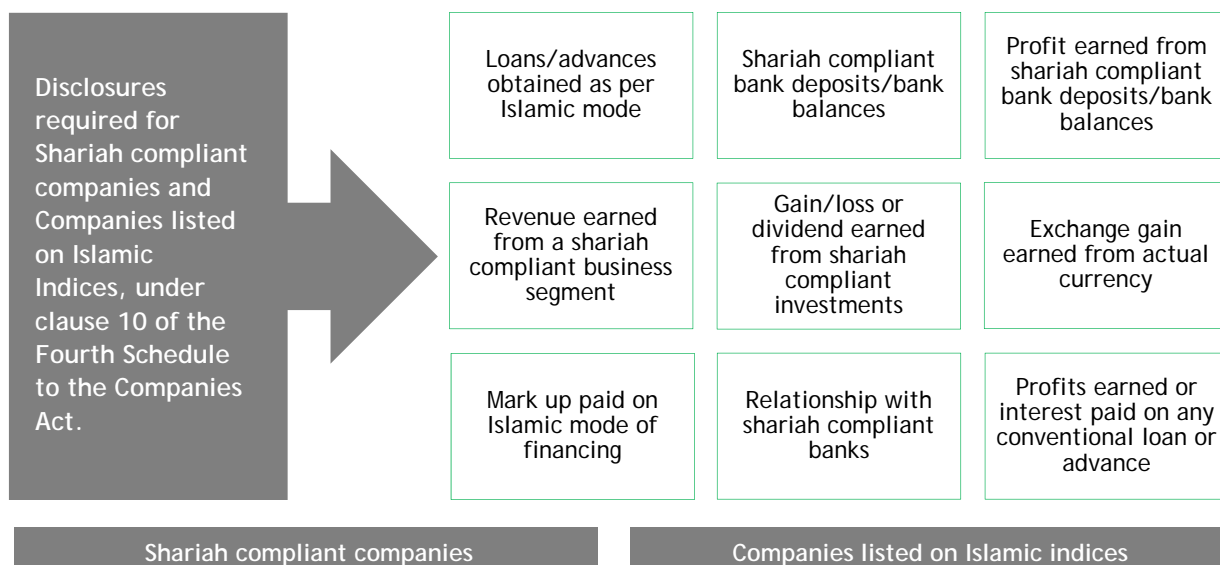
### Disclosures in Audit of Financial Statements

Disclosures are a fundamental part of financial statements, considered as an increasingly important way for preparers to communicate deeper insights about the entity's financial position and financial performance than is possible through the primary financial statements alone.

In accordance with International Standards on Auditing as applicable in Pakistan (ISAs), it is important for the auditor to give attention to the disclosures throughout the audit. For example, ISA 300 '*Planning an Audit of Financial Statements*' encourages auditors to consider disclosures early in the audit process. ISA 450 '*Evaluation of Misstatements Identified during the Audit*' emphasizes that misstatements in disclosures need to be accumulated and evaluated. ISA 700 '*Forming an Opinion and Reporting on Financial Statements*' requires the auditor to perform audit procedures to evaluate appropriateness and overall presentation, structure and content of disclosures in the financial statements.

### The Disclosure in Focus

The Fourth Schedule to the Companies Act, 2017 specifies disclosure requirements for the 'Shariah compliant companies' and 'Companies listed on Islamic Index'. The disclosure of required information assists in identification of companies that meet the Shariah screening criteria for their inclusion in Islamic indices. The disclosures also help analysts and investors in making more informed decisions regarding Shariah compliance status as per the indices' respective screening criteria.



The Companies Act defines a Shariah compliant company as a company which is conducting its business according to the principles of Shariah. Further, section 451 of the Companies Act and related Regulations outline the statutory requirements for a Shariah compliant company.

These represent companies listed on Islamic Indices at PSX (PSX - KMI All Share Index and KMI 30 Index). The financial statements and other information of companies are analysed against a selection criteria for inclusion in Islamic indices.