



**The Institute of  
Chartered Accountants  
of Pakistan**

**CA  
PAKISTAN**

HEAD OFFICE

Circular No. 10/2016

December 26, 2016

**ALL PRACTICING MEMBERS OF THE INSTITUTE**

Dear Member

**CLARIFICATION ABOUT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

As you all are aware that the Companies Ordinance, 2016 on December 15, 2016 was disapproved by the resolution of the Senate of Pakistan. The Companies Ordinance, 1984, therefore, stands revived.

Considering this development, it is to clarify that the formats of auditor's report on financial statements of the companies as prescribed under the Companies Rules, 1985 Form 35 A, 35 B and 35 C continue to remain applicable as before.

The following new and revised International Standards on Auditing (ISAs) are applicable in Pakistan for audits of financial statements of the periods ending on or after December 15, 2016. However, in view of the aforesaid position for audits of financial statements of companies under the Companies Ordinance, 1984, the audit report shall be in accordance with the format prescribed as identified above, the requirements of these revised and new standards shall not be applicable until such format is revised by the Securities and Exchange Commission of Pakistan:

- **ISA 700 (Revised)** – Forming an opinion and reporting on financial statements;
- **ISA 701 (new standard)** – Communicating key audit matters in the independent auditor's report;
- **ISA 705 (Revised)** – Modifications to the opinion in the independent auditor's report;
- **ISA 706 (Revised)** – Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report;
- **ISA 260 (Revised)** – Communication with those charged with governance;
- **ISA 570 (Revised)** – Going concern; and
- **ISA 720 (Revised)** – The auditor's responsibilities relating to other information

Further the ISA 600 – Special considerations – Audits of group financial statements (including the work of component auditors) was also adopted by the Institute. This ISA removes the division of responsibility for the auditor of consolidated financial statements. However, the audit report prescribed contains the division of responsibility for such auditor in case of subsidiaries financial statements audited by another auditor. Therefore, with regard to ISA 600 requirements, the non-applicability is to the extent of division of responsibility for subsidiary financial statements audit only.

It may be noted, the auditor's report formats provided under the Auditing Technical Release (ATR) 17 shall continue to be applicable until the ATR is revised.

Auditor's report on audit of financial statements of entities other than those specified above and where no auditor's report is prescribed under the law, shall follow the requirements of the revised and new standards.

Members are requested to note the above.

Yours truly

  
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**(Established under the Chartered Accountants Ordinance, 1961 - X of 1961)**

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