The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN

HEAD OFFICE

Circular No. 09/2016 September 26, 2016

ALL PRACTICING MEMBERS OF THE INSTITUTE

Dear Member

FORMAT OF REPORT ON STATEMENT OF NET CAPITAL BALANCE OF SECURITIES BROKERS / BROKERAGE HOUSES

Background

SECP through its clarification and guidance dated September 8, 2016 has asked Securities Brokers and all Brokerage Houses to submit an audited Statement of Net Capital Balance on half yearly basis pursuant to the promulgation of the Securities Brokers (Licensing and Operations) Regulations 2016.

The Institute to have consistent practice across the industry, has developed a suggested format for the audit report based on International Standard on Auditing 805, '*Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*' issued by the International Auditing and Assurance Standards Board.

Further, as the report is only for the use of SECP that has been specified at the end of the report.

Members are advised to take guidance from the enclosed format.

Thanking you

Yours truly

Saira Shamsie

Saira Shamsie
Sr. Manager Technical Services

SUGGESTED FORMAT

Independent Auditors Report on Statement of Net Capital Balance of the Securities Brokers / Brokerage House

To the Board of Directors of [___________ / __________ - Company Limited]

We have audited the accompanying Statement of Net Capital Balance of ------------- Limited (Company) as at ---------------, 2016 ("the statement"). The statement has been prepared by management based on the requirements of the Third Schedule read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 and the Securities Brokers (licensing and Operations) Regulations 2016 (Regulations).

Management's Responsibility for the Statement

Management is responsible for the preparation of the statement in accordance with SEC Rules 1971 and Regulations, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information in the statement of Net Capital Balance of --------------- Limited (Company name) as at --------------, 2016 is prepared, in all material respects, in accordance with SEC Rules 1971 and Regulations.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the statement, which describes the basis of accounting. The statement is prepared to assist ------------------ (Company name) to meet the requirements of SECP in accordance with the SEC Rules 1971 and Regulations. As a result, the statement may not be suitable for another purpose. Our report is intended solely for --------------- (Company name) and SECP and should not be distributed to parties other than ....(Company) or SECP.

[Auditor's signature]

[Date of the auditor's report]
[Auditor's address]