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

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The Institute of Chartered Accountants of Pakistan

CA PAKISTAN

Circular No. 12/2024

September 12, 2024

ALL MEMBERS OF THE INSTITUTE

Dear Member,

Auditor's Report on financial statements required to be submitted together with tax return

It has come to the knowledge of the Institute that various non-standard audit report formats are being issued by the auditors of private companies (particularly having paid up capital less than one million rupees) and other entities not established or registered under the Companies Act, 2017.

As per section 223 *'Financial Statements'* of the Companies Act, 2017, companies having paid up capital less than one million rupees are not required to get their financial statements audited by the auditor. However, for tax purposes all companies have to submit their audited financial statements together with the return to FBR, as required under section 114(2) *'Return of income'* of Income Tax Ordinance, 2001 read with Income Tax Rule 34(4).

It is important to remind the members that audit of financial statements are required to be conducted under the applicable professional standards in Pakistan which is the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB) and adopted by ICAP. Therefore, the auditor's reports issued on the financial statements should comply with the requirements of such standards regardless of whether such audits are conducted under the requirements of the Companies Act or any other applicable law or regulations.

It is also important to emphasis that under the applicable directives of the Institute (ICAP Directive 4.27 on '*Unique Document Identification Number (UDIN)*'), it is mandatory to mention UDIN on all auditor's reports issued in respect of general purpose financial statements that include the financial statements prepared using a generally applicable accounting framework to comply with the requirements of corporate and tax laws.

Members are advised to take the note of above.

Yours truly,

Muhammad Imran Khan
Director, Technical Services

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