(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. 13/2024

October 18, 2024

ALL MEMBERS OF THE INSTITUTE

Dear Member,

Guidance on the Audit Reporting Requirements of the SOEs Act, 2023 and Illustrative Format of Auditor's Report of SOEs

The Federal Government has enacted the State-Owned Enterprises (Governance and Operations) Act, 2023 (SOE Act 2023), effective from February 2, 2023. This legislation establishes principles for the operations, governance and accountability requirements of State-Owned Enterprises (SOEs).

In addition to the SOE Act 2023, the SOEs are required to follow the '*SOE Ownership and Management Policy, 2023 (SOE Management Policy 2023)*' and the SECP's '*Listed Companies (Code of Corporate Governance) Regulations, 2019*'.

Under the SOE Act 2023, SOEs are broadly defined to include public sector companies as specified in Section 2(54) of the Companies Act 2017, as well as other corporate bodies owned and controlled by the Federal Government, except for certain entities, such as regulatory bodies, health and educational services, and SOEs listed under the Pakistan Sovereign Wealth Fund Act, 2023.

Under section 25 of the SOE Act 2023, the SOEs are required to prepare audited financial statements for SOE and consolidated financial statements for the group consisting of the SOE and its subsidiaries, in accordance with International Financial Reporting Standards (IFRSs) within a period of three years of the enforcement of SOE Act 2023. Members are accordingly advised to include the reference of the SOE Act 2023 in the 'Statement of Compliance (SOC)' note to the financial statements, which describes the applicable financial reporting framework and its legal source.

Schedule VI '*Details to be Submitted in the Annual Report*' of the SOE Act 2023 requires that the SOEs financial statements must be audited and the report of the auditor for those financial statements, including compliance with the SOE Act 2023. In this regard, members are advised to note that audit must be conducted in accordance with the requirements of the International Standards on Auditing (ISAs) as issued by the International Auditing and Assurance Board (IAASB) and adopted by ICAP for the conduct of audits of SOE's financial statements in Pakistan.

In order to facilitate our member, the Auditing Standards and Ethics Committee of the Institute has developed the illustrative Auditor's Report Formats for the SOEs and its group, based on the given categorization of SOEs:

	SOE Category	**Basis of Preparation of Auditor's Report Format**
1	SOEs that are incorporated under the Companies Act, 2017	Auditor's report format is based on Annexure 1, as specified under the SECP '*Auditors (Reporting Obligations) Regulations, 2018'*, with certain amendments - refer ***Appendix A***.
2	SOEs that are companies but established under specific laws and therefore are subject to section 505 of the Companies Act, 2017	
3	SOEs other than the companies referred above	ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements,* with required modifications, as applicable refer - ***Appendix B.***

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The illustrative auditor's report formats of SOE are attached as '***Appendix A & B'*** and the illustrative auditor's reports format on consolidated financial statements of SOE is attached as '***Appendix C'*** to this Circular.

Members are advised to take the note of above.

Yours truly,

Muhammad Imran Khan
Director, Technical Services