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

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Reach Us Out:

ICAP

ASEB Circular No. 10 / 2026

September 25, 2026

All Practicing Members

ATR 22, Legal Confirmation Format

Dear Practicing Member,

The Council of the Institute, at its 418th meeting held on 15–16 July 2026, approved Auditing Technical Release (ATR) 22, Legal Confirmation Format, on the recommendation of the Auditing Standards & Ethics Board (the Board).

As part of the due process, the Board sought members' comments on the draft format through ASEB Circular No. 04 dated January 26, 2026. The comments received were duly considered and incorporated, and the finalized format was subsequently referred to the Council for consideration.

Effective Date

The ATR 22, Legal Confirmation Format will be effective for audits of financial statements for periods ending on or after September 30, 2026.

In this regard, we are pleased to enclose the ATR 22, Legal Confirmation Format. It can also be accessed from the Board webpage at: https://icap.org.pk/aseb/circulars/circular-2026/

Members are advised to take note of the above.

Yours truly,

Muhammad Imran Khan
Director Technical

Encl: As Above.

REGISTERED OFFICE
Chartered Accountants Avenue,
Block 8, Clifton, Karachi, 75600, Pakistan.

AUDITING TECHNICAL RELEASE - 22

LEGAL CONFIRMATION

Under the Companies Act, 2017, the audit of companies is conducted in accordance with the requirements of the International Standards on Auditing as applicable in Pakistan. In performing such audits, auditors are required to obtain sufficient appropriate audit evidence to support their opinion on the financial statements, including audit evidence relating to litigation, claims and assessments involving the company.

International Standard on Auditing (ISA) 501, Audit Evidence—Specific Considerations for Selected Items, requires the auditor to design and perform audit procedures to identify litigation and claims involving the entity which may give rise to a risk of material misstatement. Where the auditor assesses a risk of material misstatement regarding identified litigation or claims, or where audit procedures indicate that other material litigation or claims may exist, the auditor is required to seek direct communication with the entity's external legal counsel through a letter of inquiry. The letter is ordinarily sent by the auditor and, where required, with the authorization of the entity.

The response of legal counsel assists the auditor in evaluating management's assessment of litigation, claims and other legal matters, including whether the related recognition, measurement and disclosure in the financial statements are appropriate in accordance with the applicable financial reporting framework, including IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, where relevant.

The Institute had previously issued a format for legal confirmation as part of the Model Audit Practice Manual issued by the Institute. The Council of the Institute of Chartered Accountants of Pakistan, on the recommendation of the Auditing Standards and Ethics Board, has now approved the issuance of a standard format for obtaining legal confirmation from external legal counsel through this Auditing Technical Release. The purpose of this Auditing Technical Release is to promote consistency in practice, enhance the quality and completeness of audit evidence obtained in respect of legal matters, and facilitate an effective and timely response from legal counsel.

The standard legal confirmation format is attached as ***Appendix A***. The format is intended to be used by auditors, with such modifications as may be necessary in the circumstances of the engagement, while ensuring that the request remains consistent with the requirements of the applicable auditing standards and the financial reporting framework.

Appendix A

Letterhead of the Firm

Name and address of the Lawyer
Date

Dear Sirs,
(Name of client)

REQUEST FOR INFORMATION FOR AUDIT PURPOSES FOR THE YEAR / PERIOD ENDED ---------

We are performing an audit of the financial statements of our client [name of entity]. We will shortly be required to express our opinion as to whether the financial statements [present a true and fair view / present fairly, in all material respects] of the financial position of the entity as at [date], and of its financial performance and cash flows for the year / period then ended.

In this connection, we shall be grateful if you could furnish the information directly to us at the address or email provided below, as soon as possible and no later than [insert deadline if any], to allow us to meet the scheduled completion date of the audit.

Address: _____
Email: _____

The information requested below relates to matters for which you have been engaged on behalf of the entity in the form of legal consultation or representation.

Please provide the information requested below in respect of matters existing as at [date], together with any changes, developments or matters arising during the period from that date up to the effective date of your response, if different from the date of this letter.

Please also identify any pending or threatened litigation, claims, regulatory matters or other legal matters, in addition to those listed below, including any potential claims or obligations that may exist even where no formal legal proceedings have been initiated.

Summary of Legal Proceedings *Against* the Entity

S. No	**Name of complainant / claimant / plaintiff**	**Nature (Litigation / Arbitration / Regulatory Investigation / Claim / Other)**	**Brief description of matter, including date initiated and court / authority**	**Status / progress to date (e.g., discovery, trial date, appeal, settlement discussions or other[2])**	**Likelihood of unfavorable outcome***	**Estimated exposure / financial impact, if any****
1						
2						

Summary of Legal Proceedings Instituted *by* the Entity

S. No	Name of Defendant / Respondent / Accused	Nature (Litigation / Arbitration / Regulatory Investigation / Claim / Other)	Brief description of matter, including date initiated and court / authority***	Status / progress to date (e.g., discovery, trial date, appeal, settlement discussions or other)	Likelihood of recovery / success or adverse outcome*	Estimated recovery, exposure or financial impact, if any**
1						
2						

***Based on your professional judgment, please assess the likelihood of outcome using the categories below:*

- *Probable*[1]
- *Possible*[2]
- *Remote*[3]
- *Unable to assess at this stage*

****Please provide your best estimate of the potential financial impact for each applicable matter, either as a specific amount or a reasonable range. For matters against the entity, this should include potential exposure or loss, where such an estimate can be made. For matters instituted by the entity, this should include expected recovery and any related exposure or adverse financial impact, where applicable.*

*****Please identify any limitation on the scope of your response, if applicable, and also advise if your assessment differs from management's evaluation of any matter.*

Authorization

This request is made with the authorization of the client. The client authorizes you to provide the requested information directly to us for audit purposes. Please refer to the authorization by the client's authorized signatory below.

Yours faithfully,

CLIENT AUTHORIZATION

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For and on behalf of
[Name of audit firm]

Authorized signatory for and on behalf of
(Name of Client)

[1] Paragraph 23 of IAS 37 explains that an event is regarded as probable when it is more likely than not to occur; that is, the probability that the event will occur is greater than the probability that it will not.

[2] IAS 37 describes a possible obligation as one whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. For this purpose, "possible" refers to an outcome that is less than probable but more than remote.

[3] Paragraph 28 of IAS 37 indicates that where the possibility of an outflow of resources embodying economic benefits is remote, no disclosure is required.