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

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ASEB Circular No. 11 / 2026

September 30, 2026

All Practicing Members

ATR 23, Audit Report Format for Mutual Funds

Dear Practicing Member,

The Council of the Institute in its 416th meeting dated 7 June 2026 has approved Auditing Technical Release (ATR) 23, Audit Report Format for Mutual Funds on the recommendations of the Auditing Standards & Ethics Board (the Board).

As part of the due process, the Board sought members' comments on the draft audit report format vide ASEB Circular No. 03 dated January 20, 2026. The comments received were duly considered and incorporated, and the finalized format was then referred to the Council for consideration.

Effective Date

The ATR 23, Audit Report Format for Mutual Funds 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 23, Audit Report Format for Mutual Funds. 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.

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Auditing Technical Release - 23

Audit Report Format for Mutual Funds

Mutual funds in Pakistan operate within a well-defined regulatory framework for Non-Banking Finance Companies (NBFCs), as prescribed under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. These funds are legally recognized as Collective Investment Schemes (CIS) and are regulated by the Securities and Exchange Commission of Pakistan (SECP).

At present, the Institute has not issued a standardized audit report format specifically tailored for mutual funds. Auditors therefore rely on general-purpose reporting under the International Standards on Auditing (ISAs) when forming and presenting opinions on mutual fund financial statements.

In view of the above, a standard audit report format has been developed to promote consistency in audit reporting across mutual funds. The format has been designed to remain aligned with ISAs while addressing regulatory reporting expectations applicable to mutual funds.

The audit report format is attached as ***Annexure A***.

Annexure A

INDEPENDENT AUDITOR'S REPORT
To the Unit holders of ……. Fund
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ……..(the Fund), which comprise the statement of assets and liabilities as at …….., 20X1, and the income statement, the statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at……, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

Information Other than the Financial Statements and Auditor's Report Thereon

The Management Company ("Name of Management Company") is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Company and Board of Directors of Management Company for the Financial Statements

The Management Company ("Name of Management Company") is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) the financial statement have been properly prepared in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations 2008;

b) proper books and records have been kept by the Collective Investment Scheme or the financial statements prepared are in agreement with the books and records of Collective Investment Scheme; and

c) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit.

The engagement partner on the audit resulting in this independent auditor's report is [*name*].

[Signature in the name of the audit firm]
[Auditor Address]
[Date]
UDIN: