

GUIDELINES FOR ISSUE OF CERTIFICATES FOR SPECIAL PURPOSES BY PRACTICING CHARTERED ACCOUNTANT FIRMS



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1. Introduction

Government and Regulatory authorities under various statutes, regulations or notifications, require certificates from auditors/ reporting practicing members in support of statements or other information prepared by an entity's management. Certificates on specific matters may also be required from reporting practicing members / auditors by the entity, for its own special purposes. These certificates cater to specific requirements of the individual users unlike a 'general purpose report' e.g. an auditor's report on financial statements which is intended for general use. Certificate for special purpose is one to which the format of general purpose audit report is not applicable as they are not covered by the auditing framework. This is also supported by the requirements of section 2(2)(iii) of the Chartered Accountants Ordinance 1961 which says that chartered accountants in practice shall be deemed to be in practice if he:

2(2)(iii) renders professional services or assistance in or about matters of principle or detail relating to accounting procedure or the recording, presentation or certification of financial facts or data;

This Certificates Guidelines is intended to provide guidance to members who may be called upon to certify facts or data for special purposes (herein referred to as 'reporting practicing member').

Audit/Assurance Reports required on financial statements or financial forecasts do not fall within the scope of this guidance. For Audit/Assurance report respective International Auditing/Assurance Standards should be consulted.

2. Scope of Special Purpose Certificates

Certificates for special purposes may be issued where compliance with requirements of statute or regulation is required and:

- i. financial information is given in special purpose formats or schedules; or
- ii. a statement of fact is made; or
- iii. compilation of statistics or ascertainment of figures is performed.

A reporting practicing member should appreciate the difference between the terms 'certificate' and 'report'. A certificate is a written confirmation of accuracy of the facts stated therein and does not involve any estimate or opinion. A report, on the other hand, is a statement usually made after an enquiry, examination or reviews of specified matters under report and includes the reporting practicing member's 'opinion thereon. Thus, when a reporting auditor issues a certificate, he is responsible for the factual accuracy of what is stated therein. On the other hand, when a reporting practicing member gives a report, he

is responsible for ensuring to the extent possible that the report is based on factual data, his opinion is in accordance with reported facts, and that it is arrived at by the application of due care, judgment and skill.

3. Responsibility for Preparation of Special Purpose Statements

The primary responsibility for the contents, details and supports of a special purpose statement rests with the entity's management and this should be evidenced by a suitable declaration or authentication by the management on the face of the statement.

4. Scope of a Reporting Practicing Members' Function

A reporting practicing member should have a clear understanding of the scope and nature of the terms of his assignment. It is desirable for him to obtain the terms in writing to avoid any misunderstanding.

A reporting practicing member is not an expert on purely technical matters and as such, when he is required to certify such matters (e.g., composition or quality or condition of a product) which are of paramount importance and constitute the very basis of the figures contained in the statement, he should state his limitations clearly in the certificate.

Otherwise services of expert are to be hired and the reporting practicing member certificate should refer this fact in their Certificate and the extent to which he has relied upon the expert's judgement. At the same time he should indicate the extent to which he has been able to exercise his own professional skill and judgment with regard to the matter being certified upon. He shall, of course, satisfy himself about the technical qualifications of the expert, and subject the expert's certificate to a reasonable review.

5. Reporting Practicing Member's Responsibility

In respect of certification work, reporting practicing member responsibilities are:

- (a) to review the information contained in the statement prepared by the management or the subject matter and to certify in accordance with the applicable law/regulation and following these guidelines.
- (b) in carrying out his work, the reporting practicing member will obtain such evidence and explanations from the entity as the reporting practicing member considers necessary to form a conclusion. Where testing is required, the level of testing is a matter of professional judgement according to the particular circumstances of the entity and the reporting practicing member's assessment of risk. If a minimum sample size is specified in the terms of appointment, the reporting practicing

member must use professional judgement to determine whether testing over and above that specified minimum is required in the particular circumstances;

- (c) where testing is required, to direct work to those matters that, in the reporting practicing member's view, significantly affect the subject matter. In assessing the extent to which amounts included in a statement are in accordance with the conditions under which it is made, the reporting practicing member acts as a professional accountant and not a legal expert;
- (d) not to disclose certificates and other information, in whole or in part, to third parties or person requiring it other than those with statutory rights of access to them.
- (e) in respect of certificate to express a conclusion, on the basis of appropriate and sufficient evidence, that evidence being persuasive rather than conclusive as because of the inherent limitations involved in certification work, errors or irregularities including fraud may occur and not be detected.

6. Contents of Certificates for Special Purposes

In most cases, a reporting practicing member should choose the form and contents of his certificate. In other cases the form and contents of the certificate is specified by a statute or notification and should not be changed.

Where a reporting practicing member is free to draft his certificate, he should consider the following:

- The title of the certificate should clearly indicate its nature, similarly, the language should be unambiguous, i.e., it should clearly bring out whether the reporting practicing member is only confirming the accuracy of certain facts, figures and statements. For this, the choice of appropriate words and phrases is important
- The certificate should mention the time period or specific time for which the certificate is being given i.e. statement as on June 30, 20XX or for the period from July 01, 20XX to September 30, 20XX
- Certificate should be appropriately addressed to the appointing authority i.e. Directors, Company Secretary, Chief Financial Officer, Chief Executive etc., Certificate to client or to the public authority or person requiring it, as the case may be. The certificate should normally be issued to the client who would be responsible for forwarding the same to the concerned authority, where so required
- Specific elements, accounts or items covered by the certificate should be clearly identified and indicated

- Mentioning the responsibility of preparation of the statement of compliance required under law or statute
- The certificate should indicate the manner, in which the procedures which are required for carrying out certification have been carried out, e.g., by the application of specific procedure required by the regulation or agreed with the appointing authority or any other manner
- If the certificate is subject to any limitations in scope, such limitations should be clearly mentioned
- Assumptions on which the special purpose statement is based should be clearly indicated if they are fundamental to the appreciation of the statement
- Reference to the information and explanations obtained should be included in the certificate. In certain cases, apart from a general reference to information and explanations obtained, a reporting practicing member may also find it necessary to refer in his certificate factual information or explanations on which he has relied
- If the certificate is based on general purpose financial statements which have been audited, the certificate should contain a reference to such statements and audit if relevant in cases where reliance is placed on the audit report. However, the certificate should not contain a reference to any other statement unless the same is attached with the certificate. It should be clearly indicated whether or not the statutory audit of the general purpose financial statements has been completed and also, whether such audit has been conducted by the reporting practicing member or by another practicing member. In case the general purpose financial statements have been audited by another auditor, the reporting practicing member should specify the extent to which he has relied on them. He may communicate with the statutory auditor for securing his co-operation and in appropriate circumstances, discuss relevant matters with him, if possible
- If the report/ statement on which certificate is based contains a modified opinion, the reporting practicing member should specify the fact in the certificate
- The certificate should contain a disclaimer statement to the fact that the certificate is only limited to the facts disclosed in the certificates and the attachments referred therein and is not a certificate of assurance
- A certificate should ordinarily be a self-contained document. It should not confine itself to a mere reference to another report or certificate issued by the reporting practicing member but should include all relevant information contained in such report or certificate
- The reporting practicing member should clearly indicate in his certificate, the extent of responsibility which he assumes. Where the statement on which he is required to give

his certificate, includes some information which has not been audited, he should clearly indicate in his certificate the particulars of such information

- The certificate should be appropriately dated and signed by the reporting practicing member, including mentioning the place where certificate has been issued

7. Extent of Reliance on General Purpose Audit Report

Where a special purpose certification engagement is undertaken after the statutory audit has been completed, a reporting practicing member should invariably review the statutory audit report to ascertain whether there are any matters which have a bearing on his certificate.

In cases, where a reporting practicing member is required to certify certain specific matters arising from the financial statements taken as a whole, he should not normally issue certificate until the statutory audit has been completed.

Where a certificate is required before the statutory audit is completed, a reporting practicing member should clearly state this in the certificate that the statutory audit of the financial statements has not been completed for the relevant period of time.

Where the reporting practicing member prepares his certificate on the basis of duly audited general purpose financial statements, he may take the following precautions:

- State in his certificate that the figures from the audited general purpose financial statements have been used and relied upon.
- Certificate should be supported by schedule/ note, showing the reconciliation between the figures in the general purpose financial statements and the figures annexed as statements to certificate and which is going to be certified.
- Communicating with the auditor of general purpose financial statements, if different than the reporting practicing member, to carry out any discussions that may be considered necessary by the reporting practicing member.

8. Certificate formats

A sample certificate format is also attached for guidance and use of practicing members.

9. Disclaimer

The Guidelines is intended to provide guidance to practicing members who may be called upon to certify facts or data for special purposes. However, a reporting practicing member

should utilize the Guidelines in light of his or her professional judgment and the facts and circumstances involved in each certification.

The Institute disclaims any responsibility or liability that may occur, directly or indirectly, as a consequence of the use and application of the Guidelines.

SAMPLE FORMAT OF CERTIFICATE

Date

Company Secretary

ABC Limited

Address line

City

Dear Sir

PRACTICING MEMBERS' CERTIFICATE ON AS REQUIRED UNDERRULES/ REGULATION

We have been requested to provide you with a certificate on the annexed report/ statement of ABC Limited for the period ended June 30, 20XX as required under(mention Rules/ Regulation).

Scope of Certificate

(mention specific requirements of law/ regulation)

Management Responsibility

It is the management responsibility to provide the report/ statement forfor the period ended June 30, 20XX in compliance with the(mention Rules/ Regulation).

Practicing Member/ Auditor's Responsibility

Our responsibility is to certify the compliance of the requirement of(mention Rules/ Regulation) in accordance with the '*Guidlines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms*' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to the procedures as mentioned below:

- a) xxxx
- b) xxxx

Certificate

Based on procedures mentioned above, we certify that

Restriction on use and distribution

This certificate is issued in relation to (mention Rules/ Regulation) and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein and the attachments.

Yours truly

XYZ

Chartered Accountants

City