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ICAP

ASEB Circular No. 17/2025

October 9, 2025

ALL MEMBERS OF THE INSTITUTE

Dear Member

Compliance with State-Owned Enterprises (Governance and Operations) Act, 2023 and Ownership and Management Policy, 2023

The Institute has received the attached notification from the Central Monitoring Unit (CMU), Finance Division, Government of Pakistan, regarding compliance with Section 25(3) of the State-Owned Enterprises (Governance and Operations) (SOE) Act, 2023, and the related State-Owned Enterprises, Ownership and Management Policy, 2023.

We draw your attention to the requirements under Section 25(3) of the SOE Act, 2023, as outlined below:

"(3) The financial statements must be accompanied by a declaration of the Board whether, in their opinion:

(a) there are reasonable grounds for believing that the state-owned enterprise and its subsidiaries shall be able to pay their debts as they become due and payable; and

*(b) The financial statements and the notes to them comply with the requirements of this Act and international accounting standards" **

*It is clarified that where a state-owned enterprise is not following the International Financial Reporting Standards at the time of coming into effect of this Act, the Board shall ensure compliance with this provision within a period of three years from coming into effect of this Act.

Based on the above [section 25(3)(a)], the Board's declaration is to be included as 'Other Information' in the annual report, such as part of the Directors' Report, and is not required to be added as a note to the financial statements. In this regard auditors are required to follow the guidance given in ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information, which mandates the auditor to consider and conclude in the auditor's report (under a separate heading "Other Information") whether there is a material inconsistency between other information included in an entity's annual report and the financial statements.

Furthermore, the concept of solvency declaration is linked to the going concern assumption of an entity. For the purposes of going concern assessment, the auditor evaluates an entity's ability to meet its financial obligations for the foreseeable future under the requirements of ISA 570 (Revised), Going Concern. The solvency declaration, as envisaged under the law, is also expected for the foreseeable future, supported by reasonable justification and information.

As mentioned in the notification, the CMU will review compliance with the above requirements in its upcoming review of biannual and annual SOE reports. The presence and quality of the Board declarations, along with compliance with IFRS Accounting Standards, will form part of the monitoring and evaluation framework reported to the Cabinet Committee on SOEs.

In light of the above, members associated with SOEs are requested to ensure compliance with these requirements. Furthermore, audit firms engaged in SOE audits should incorporate necessary audit procedures into their SOE-related audit engagements to ensure compliance with the above requirements.

Yours truly,


Muhammad Imran Khan
Director, Technical Services

Encl: As above.

REGISTERED OFFICE

Chartered Accountants Avenue,
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**Government of Pakistan
Finance Division
Central Monitoring Unit
KohsarBlock , Pak Secretariat Constitution Ave
Islamabad, Pakistan**

No.CMU/FY2024C/CR/02250

16-09-2025

To:

- The Institute of Chartered Accountants of Pakistan (ICAP) ✓
- The Securities and Exchange Commission of Pakistan (SECP)
- Relevant Line Ministries overseeing Federal SOEs

Subject: COMPLIANCE WITH SOE ACT 2023 AND OWNERSHIP POLICY – BOARD REPRESENTATION ON DEBT SERVICING ABILITY IN FINANCIAL STATEMENTS

The Central Monitoring Unit (CMU), in line with its mandate under the SOE Act 2023, wishes to draw your attention to an important compliance requirement relating to the preparation and audit of financial statements of State-Owned Enterprises (SOEs).

As per Section 25(3) of the SOE Act 2023(Annex A), the financial statements of SOEs must be accompanied by a declaration of the Board of Directors (BoD) confirming:

1. That there are reasonable grounds to believe the SOE and its subsidiaries shall be able to meet their debt obligations as they become due and payable; and
2. That the financial statements and accompanying notes comply with the Act and accounting standards.

Further, the Ownership & Management Policy (Annex A) reiterates the requirement that SOEs' annual reports must explicitly include this representation, ensuring that Boards are accountable for solvency, compliance, and the quality of financial disclosures.

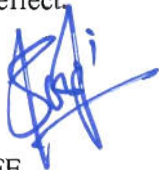
Directive for Compliance

In light of the above, it is directed that:

- Boards of Directors of all SOEs must ensure the above declarations are explicitly included in their annual financial statements and reports as per Section 25(3)
- External auditors are required to verify and ensure that such declarations are duly made, consistent with international auditing standards and the provisions of the SOE Act.
- Line ministries are to oversee compliance within their respective SOEs, ensuring that Boards discharge this statutory obligation in letter and spirit.

Please note that the CMU shall be reviewing compliance with this requirement in its upcoming Bi-Annual and Annual SOE Reports. The quality of financial statements, including solvency declarations and related IFRS compliance, will form part of the monitoring and evaluation framework reported to the Cabinet Committee on SOEs.

We therefore advise ICAP, SECP, and all line ministries to take necessary measures to implement the above requirements with immediate effect.



Yours sincerely,
Majid Soofi, CPA, FCA, CGMA, CFE
Director General, Central Monitoring Unit (CMU)
Finance Division, Government of Pakistan

Enclosed: As above

Copy to:

1. Finance Secretary
2. Special Secretary Finance
3. Addl. Secretary Finance (CF Wing)

Annex A

Relevant Section : Section 25 subsection (3) of SOE Act 2023 :

(3) The financial statements must be accompanied by a declaration of the Board whether, in their opinion—

- (a) there are reasonable grounds for believing that the state-owned enterprise and its subsidiaries shall be able to pay their debts as they become due and payable; and**
- (b) the financial statements and the notes to them comply with the requirements of this Act and international accounting standards.**

SOE Ownership and management policy :

B. THE ANNUAL REPORT

The annual report is a key accountability document. SOEs must submit their annual report to the Federal Government within 4 months after the end of the financial year to which the annual report relates. Sections in the SOE Law dealing with the financial statements and annual reports are sections 25, 26 and 27. Section 28 deals with the semi-annual report.

The preparation and approval of financial statements shall continue to be in accordance with the Companies Act, 2017. However, some specific requirements, with respect to financial statements and annual report of an SOE shall inter-alia include the following:

- a. Financial statements must be prepared in accordance with international financial reporting standards (IFRS) within three years of the approval of the act.
- b. Annual report must include subsidiaries.
- c. Annual report must be accompanied by a statement that.
 - i. There are reasonable grounds that the SOE shall be able to pay their debts as they become payable, and
 - ii. The financial statements and notes comply with the requirements of the SOE Law.