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ASEB Circular No. 5 / 2026

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ALL PRACTICING MEMBERS

Dear Member,

Request for Comments – Draft Guidance on Professional Valuer Reports for Fair Valuation in Financial Reporting

In accordance with ISA 540 (Revised), '*Auditing Accounting Estimates and Related Disclosures*', and ISA 500, '*Audit Evidence*', auditors are required to obtain sufficient and appropriate audit evidence regarding the reasonableness of management's estimates and the adequacy of related disclosures. Evaluating the competence, capabilities, and objectivity of valuers, as well as the relevance and reasonableness of their findings, is a critical component of the audit process.

In order to promote consistency in practice and enhance audit quality, the Auditing Standards and Ethics Board (ASEB) has developed draft guidance, enclosed as '**Appendix – A**' to this circular. This guidance sets out a structured framework for evaluating valuation reports prepared for the purposes of IFRS 3 '*Business Combinations*', IAS 16 '*Property, Plant and Equipment*' and IAS 40 '*Investment Property*'. It specifies the minimum elements expected in a professional valuation report and emphasizes the exercise of professional skepticism, compliance with applicable regulatory requirements, and alignment with the relevant IFRS Accounting Standards.

Your comments and feedback on the attached draft guidance are requested. Please submit your comments to the Board's email at aseb@icap.org.pk no later than **February 11, 2026**.

Yours truly,


Muhammad Imran Khan

Director, Technical Services

Encl: As above.

(Draft) Guidance on Professional Valuer Reports for Fair Valuation in Financial Statements**To: All Practicing Members****1. Background**

In accordance with the Approved Accounting & Reporting Standards applicable in Pakistan including IFRS 3 (Business Combinations), IAS 16 (Property, Plant and Equipment) and IAS 40 (Investment Property) entities may elect or be required to fair value their assets in the financial statements. This process is typically conducted by an independent professional valuer serving as a management expert. Auditors' reliance on such expert work is governed by ISA 540 (Auditing Accounting Estimates and Related Disclosures) and ISA 500 (Audit Evidence). This document provides guidance on the minimum requirements for an acceptable professional valuer's report to be considered sufficient and appropriate audit evidence under these ISAs.

2. Objective

This guidance aims to ensure auditors apply professional skepticism and due diligence when relying on a professional valuer's report. The report should contain sufficient appropriate information enabling the auditor to assess the reasonableness of the valuation and the competence, capabilities, and objectivity of the professional valuer.

3. Minimum Requirements for an Acceptable Professional Valuer's Report

To serve as a valid basis for audit evidence, a professional valuer's report must, at a minimum, include the following elements:

a) Valuer's Professional Standing and Independence

- **Qualifications:** Clearly state the valuer's professional qualifications, including relevant designations (e.g., membership in a recognized valuation body), experience, and licensure to practice in Pakistan, if applicable.
- **Independence Declaration:** Include a formal declaration confirming the valuer's independence from the client (for example not a shareholder, no financial interest, no close family member relationship) and the absence of any conflicts of interest that could impair objectivity.

b) Scope of Work and Purpose of Valuation

- **Engagement Terms:** Provide a detailed description of the valuation engagement's scope, specifying the purpose (e.g., financial reporting under IFRS 13 Fair Value Measurement), the assets valued, and the valuation date.
- **Asset Identification:** Offer comprehensive identification of the assets being valued, including asset class, location, and unique identifiers.
- **Use by external auditors:** Explain that the report is meant for the board of directors of the company/entity to arrive at the value to be incorporated in the financial statements and is to be relied on by its statutory auditors.

c) Methodology and Assumptions

- **Valuation Basis:** Explicitly state that the valuation basis is fair value.

- **Valuation Methodologies:** Describe the valuation methodology employed (e.g., market approach, income approach, cost approach as per IFRS 13), including the rationale for the chosen method.
- **Key Assumptions and Inputs:** Provide a detailed breakdown of significant assumptions, inputs, and parameters used, such as comparable transactions, market data, and other relevant factors.
- **Data Sources:** Disclose all sources of data and information supporting the valuation assumptions.

d) Results and Conclusion

- **Valuation Result:** Clearly present the valuation outcome, including both the valuation range and a single-point estimate.
- **Supporting Rationale:** Explain how the valuation result was determined, including sensitivity analyses for key assumptions.

e) Compliance and Reporting Standards / Guidance

- **Standards / Guidance Followed:** State explicitly that the valuation was performed in accordance with relevant professional standards, such as the International Valuation Standards (IVS), and any guidance issued by regulatory bodies like the Securities and Exchange Commission of Pakistan (SECP) or the State Bank of Pakistan (SBP).
- **IFRS Alignment:** Confirm that the valuation complies with IFRS 13 Fair Value Measurement requirements for financial reporting.

f) Signature of the Professional Valuer

The report shall be duly signed by the professional valuer, stating the date of the report, name, and professional designation.