



**The Institute of  
Chartered Accountants  
of Pakistan**

**HEAD OFFICE**

Circular No. 09/2009

August 11, 2009

**ALL PRACTICING MEMBERS OF THE INSTITUTE**

Dear Member

**RELATED PARTY TRANSACTIONS**

Sub- Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 on verification of related party transactions by Auditors states that:

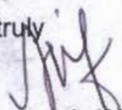
“(xiii a)

- (1) All companies registered under the Companies Ordinance, 1984 shall place before the Board of Directors all the transactions with the related parties for review and approval.
- (2) The detail of all related party transactions shall be placed before the Audit Committee of the company.
- (3) The related party transactions which are not executed at arm's length price will also be placed separately at each Board meeting along with necessary justification for consideration and approval of the Board and before the Audit Committee of the company.
- (4) The Board of Directors of a company shall approve the pricing methods for related party transactions that were made on the terms equivalent to those that prevail in arm's length transaction only if such terms can be substantiated.”

The Institute is of the view that the above requirement only requires the external auditors to review the process listed in the amendment and in order to clarify the role of the external auditors, an additional scope paragraph explaining the auditors' responsibility in this regard has to be included in the external auditors' Review Report. Accordingly, the revised external auditors' Review Report on Statement of Compliance with Best Practices of Code of Corporate Governance is enclosed.

Members are advised to take note of the same.

Yours truly

  
Muhammad Asif Iqbal  
Director Technical Services

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

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## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of ----- Ltd. to comply with the Listing Regulation No. ----- of the ----- Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub- Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Date  
AUDITOR  
Address

Note: In case of any qualification, the report shall state the reason for such qualifications along with the factual position to the best of the auditor's information.