



CA
PAKISTAN

INVESTIGATION COMMITTEE

ANNUAL REPORT

FROM JANUARY 1 TO DECEMBER 31, 2016

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Preamble

This report provides an overview of the activities of the Investigation Committee (IC) and the Council of the Institute relating to cases of professional misconduct considered under the provisions of the Chartered Accountants Ordinance, 1961 for the period from January 1 to December 31, 2016.

The following chapters explain the process of an investigation from an initiation of a complaint/fact to its conclusion along with a diagrammatic presentation of the process.

Among other matters, this report discusses some of the key nature of irregularities which have been committed by the practicing members including irregularities occurred on a recurring basis. The list of aforesaid irregularities has been given to provide guidance to the practicing members and reliance on that list would not absolve a practicing member from compliance with all the requirements mandated under various statutes, rules, regulations, directives etc.

Introduction of the Investigation Process

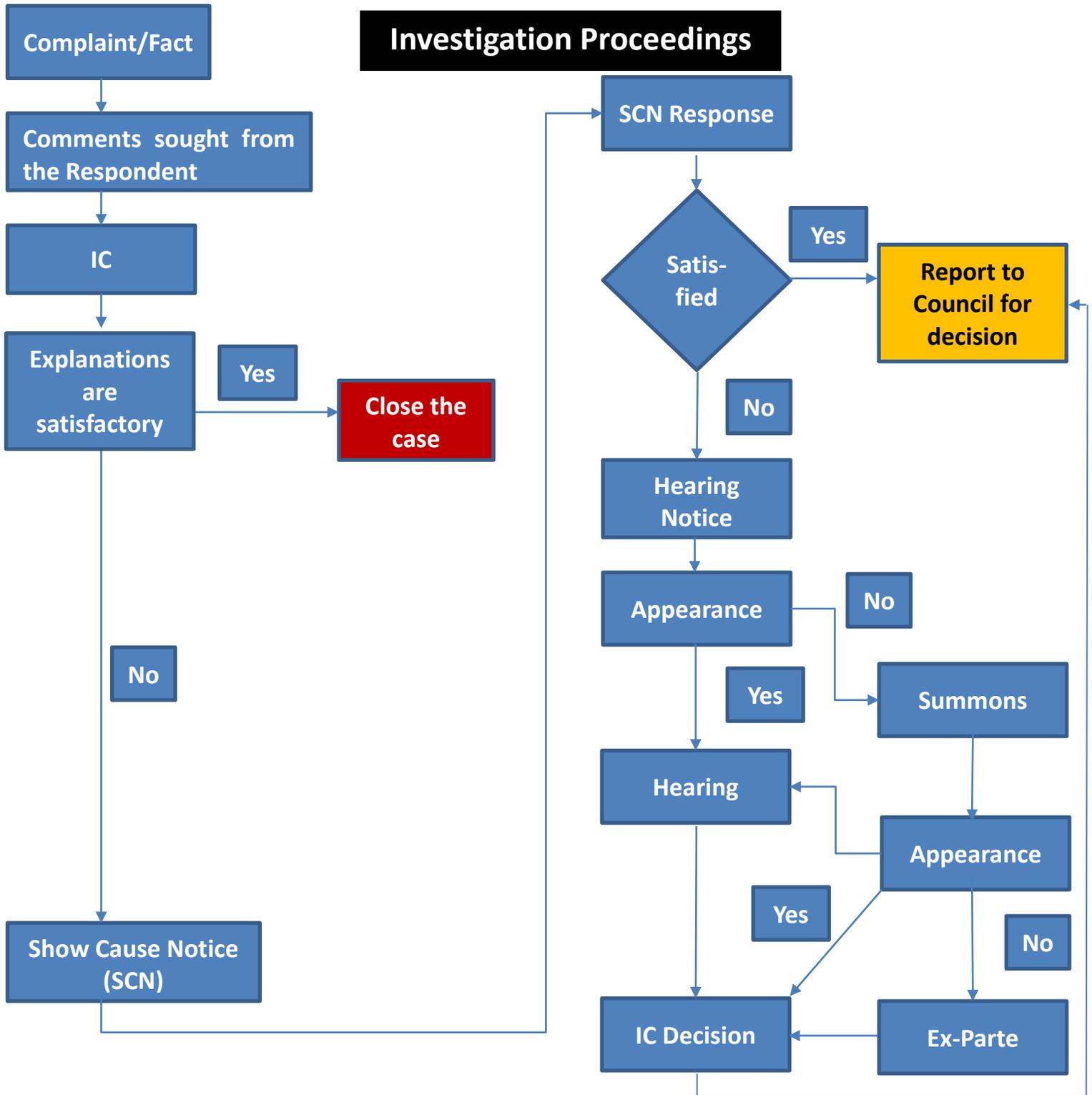
The investigation process is initiated when a complaint is received by the Secretary from any member or an aggrieved person, or if any facts come to the knowledge of the Secretary of the Institute, then the Secretary is required to place the complaint or the facts, if the latter suggest that a prima facie case of professional misconduct as specified in Schedules I, II & III of the Chartered Accountants Ordinance, 1961, arises against a member or a student of the Institute, before the Investigation Committee.

The complaint along with relevant and necessary facts is laid before the Investigation Committee. If the Investigation Committee is of opinion that such facts or complaint require investigation, it gives notice to the member or student whose conduct is in question for holding an inquiry. The member or student is given an opportunity of being heard, and after the conclusion of the inquiry, the Investigation Committee reports the results of the inquiry to the Council.

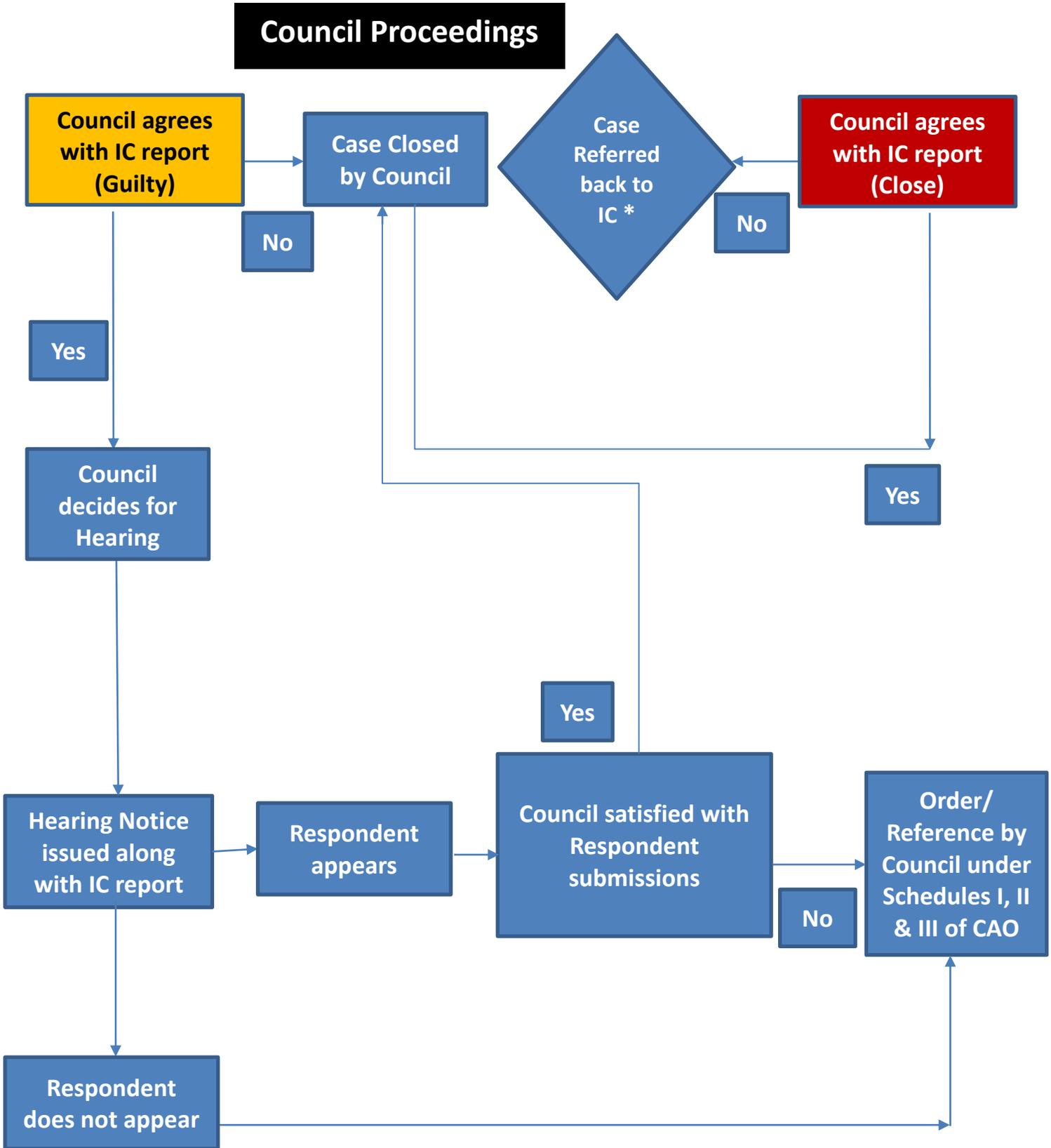
On receipt of the report by the Council, the Council provides an opportunity to the concerned member/student whose conduct is under investigation of being heard, and if the Council is of the opinion that the member or student has been guilty of professional misconduct, it may reprimand/warn, impose penalty, or remove the name of such member from the Register or reprimand/warn or suspend/debar the student from training, or refer the case of the member to the High Court with its recommendations depending upon the nature of offences as mentioned in Schedule I, II or III of Chartered Accountants Ordinance, 1961.

A member who is aggrieved by an order of the Council made against him has the right to file an appeal before the Honorable High Court against the order of the Council within a period of sixty days from the date of communication of the said order.

Diagrammatic Flow of Investigation Process



Council Proceedings



* The IC will consider the matter in the light of observations raised by the Council including the reasons for referring the matter back to IC.

Composition of the Investigation Committee

From January, 2016 to September, 2016

Sr. No.	Name of the Members
1.	Mr. Hafiz Mohammad Yousaf, FCA*
2.	Mr. Hidayat Ali, FCA, Chariman
3.	Mr. Farrukh Rehman, FCA
4.	Mr. Imran Afzal, FCA Independent Member
5.	Mr. Jalil-Ur-Rehman Tarin, FCA Independent Member
6.	Mr. M.Z. Moin Mohajir, FCA Independent Member
7.	Mr. Nazir Ahmad Chaudhri, FCA
8.	Mr. Rashid Ibrahim, FCA
9.	Mr. Riaz A. Rehman Chamdia, FCA
10.	Justice Ahmad Sarwana, Member

From October, 2016 to December, 2016

Sr. No.	Name of the Members
1.	Mr. Nadeem Yousuf Adil, FCA*
2.	Mr. Khalilullah Shaikh, FCA, Chairman
3.	Mr. Farrukh Rehman, FCA
4.	Mr. Imran Afzal, FCA, Independent Member
5.	Mr. Jalil-Ur-Rehman Tarin, FCA, Independent Member
6.	Mr. M.Z. Moin Mohajir, FCA, Independent Member
7.	Mr. Mohammad Maqbool, FCA
8.	Mr. Rashid Ibrahim, FCA
9.	Mr. Riaz A. Rehman Chamdia, FCA
10.	Justice Ahmed Sarwana, Member

* As per tradition, the President does not attend the meetings of Investigation Committee. Accordingly, the meetings of the committee are chaired by the Vice President.

The Investigation Committee is also supported by the services of a legal advisor, Mr. Salman Bawaney, who regularly attends the meetings of the Investigation Committee and provides his input on the legal aspects arising during the course of the investigation proceedings.

Investigation Department

Investigation department is managed by chartered accountants employed on a full time basis by the Institute. As at December 31, 2016 the Investigation Department had the following staff strength:

- | | |
|---------------------------------|-------------------------------------------------|
| 1. Ms. Farzana Munaf, FCA | Executive Director Legal and Membership Affairs |
| 2. Mr. Muhammad Irfan Azam, FCA | Director Corporate, Legal & Membership Affairs |
| 3. Mr. Anas Iqbal, ACA | Manager Investigation |
| 4. Mr. Babar Ali Shah, ACA | Manager Investigation |

**Number of Meetings held during the year from
January 1 to December 31, 2016**

Sr. No.	Date of Meeting	Location
1.	January 21, 2016	Karachi
2.	March 19, 2016	Karachi
3.	May 20 & 28, 2016	Karachi
4.	August 19, 2016	Karachi
5.	November 25, 2016	Karachi

**Number of Meetings held during the year from
January 1 to December 31, 2015**

Sr. No.	Date of Meeting	Location
1.	January 15, 2015	Karachi
2.	February 19, 2015	Karachi
3.	March 27, 2015	Karachi
4.	June 12, 2015	Karachi
5.	July 30, 2015	Karachi
6.	September 3, 2015	Karachi
7.	November 12, 2015	Karachi

Movement of Cases

From January 1 to December 31, 2016

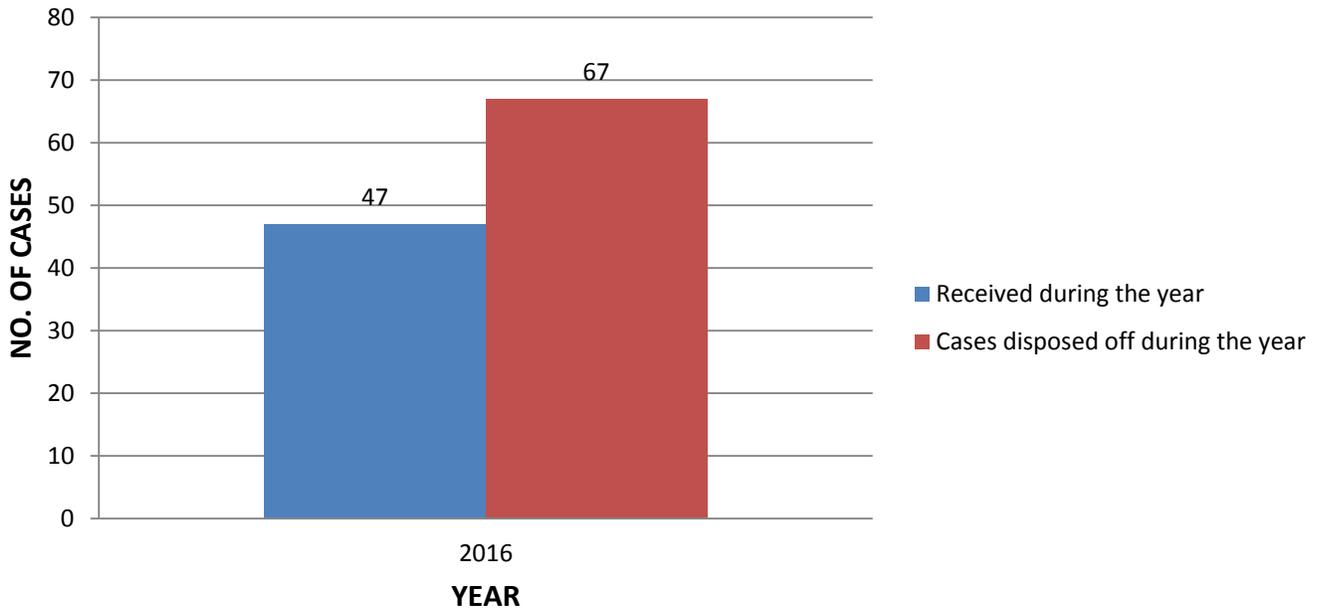
DESCRIPTION	INVESTIGATION COMMITTEE	COUNCIL	TOTAL
Cases at the beginning of the year	78	25	103
Complaints received during the year	47	-	47
Cases referred to the Council	(12)	12	-
Cases dropped by the Investigation Committee	(39)	-	(39)
Cases decided by the Council	-	(28)	(28)
-Cases under review at the end of the year	68	9	77
-Cases held in abeyance	6	-	6
	74		83

Movement of Cases

From January 1 to December 31, 2015

DESCRIPTION	INVESTIGATION COMMITTEE	COUNCIL	TOTAL
Cases at the beginning of the year	104	5	109
Complaints received during the year	38	-	38
Cases referred to the Council	(39)	39	-
Cases dropped by the Investigation Committee	(25)	-	(25)
Cases decided by the Council	-	(19)	(19)
Cases under review at the end of the year	78	25	103

Receipt & Disposal of Cases



During the year from January 1 to December 31, 2016, twelve cases were referred to the Council by the Investigation Committee for consideration.

DESCRIPTION	2016
Cases received during the year	47
Cases disposed off during the year:	
- Cases dropped by the Investigation Committee	39
- Cases decided by the Council	28
	67

Nature of Orders issued by the Council during the year 2016

Nature	No. of cases
Members reprimanded with name	08
Members reprimanded without name	07
Member warned	03
Cases where members not found guilty	10
Total cases decided by the Council	28

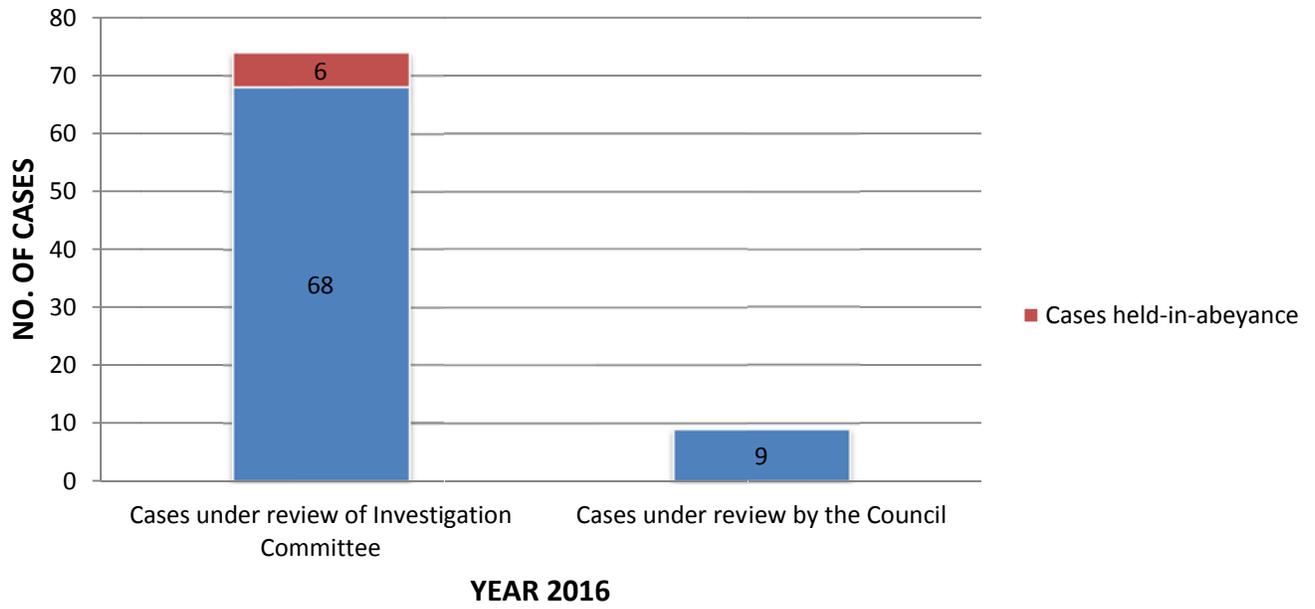
During the period from January 1 to December 31, 2016, all Orders issued by the Council were related to the offences specified under Schedule I of the Chartered Accountants Ordinance, 1961.

Nature of Orders issued by the Council during the year 2015

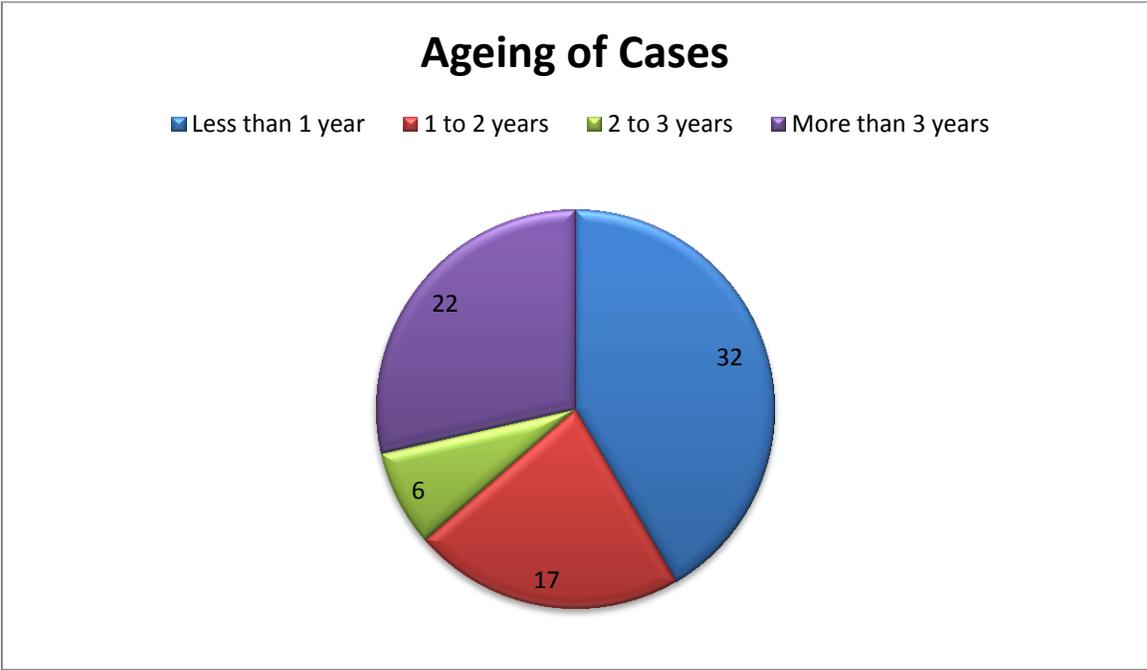
Nature	No. of cases
Members reprimanded with name	04
Members reprimanded without name	07
Member warned	01
Cases where members not found guilty	07
Total cases decided by the Council	19

During the period from January 1 to December 31, 2015, all Orders issued by the Council were related to the offences specified under Schedule I of the Chartered Accountants Ordinance, 1961.

Breakup of Cases at Year end



DESCRIPTION	2016
- Cases under review of Investigation Committee	68
- Cases held-in-abeyance	6
	74
Cases under review of the Council	9



DESCRIPTION	<1 Year	1 to 2 Years	2 to 3 Years	>3 years	Total
No. of cases (Note 1)	32	17	6	22	77

Note 1: The numbers of cases presented do not include the cases held-in-abeyance.

Nature of Offences / Irregularities

Chartered accountants have a vital role in ensuring public trust in financial reporting and upholding the reputation of the accountancy profession. During the course of the investigation, it has been noted that following nature of irregularities were committed by some practicing members in their professional assignments and accordingly, a need was felt to apprise members about the same so that these instances can be avoided. Reliance on this list would not absolve a practicing member from compliance with all the requirements mandated under various statutes, rules, regulations, directives etc.

1. FAKE/FORGED AUDIT REPORTS

Fake/forged audit reports are issued in the name of existing/former chartered accountant firms without their knowledge/consent. In this respect, the concerned members are advised to take necessary steps, such as intimation of the said forgery to the Securities & Exchange Commission of Pakistan and to the management of the companies, issuance of a general public notice in the newspapers, etc.

2. ABSENCE FROM OFFICE BY PRACTICING MEMBERS

Some practicing members have remained absent from their office for more than the period allowed in Directive 4.17 [Absence from Office for a Practicing Member] issued by the Institute resulting in violation of the said Directive.

3. IRREGULARITIES IN RESPECT OF AUDITS OF FINANCIAL STATEMENTS OF SMALL AND MEDIUM SIZED ENTITIES

Some auditors have failed to address in their audit reports, the following irregularities in the financial statements of the Small and Medium Sized Entities (SMSEs):

- i) Income statement, Cash flow Statement and the Statement of Changes in Equity are not annexed with the financial statements.
- ii) Either the Statement of Compliance paragraph is missing from the financial statements or it is incomplete in a way that it does not mention the framework/standards that have been followed in the preparation of the financial statements of the Company.
- iii) Failure to explain the appropriateness of using going concern assumption in preparation of financial statements.

- iv) The disclosure about the date when the financial statements were authorized for issue is not given in the financial statements.
- v) Administrative and operating expenditures which do not qualify as an 'Intangible asset' are classified under the category of 'Intangible assets' in the financial statements.
- vi) Information about the basis of preparation of financial statements, specific accounting policies selected and applied for significant transactions and events are not presented in the financial statements.
- vii) Accounting policies and explanatory notes are not disclosed in the financial statements.
- viii) The comparative information with respect to the previous period is not disclosed in the financial statements.
- ix) Depreciation is not charged on assets remaining idle or the depreciation charged is not in accordance with the policy of the company.
- x) The depreciation policy applied is not in accordance with the requirements of the framework.
- xi) Disclosure relating to the Director's remuneration as required under Fifth schedule to the Companies Ordinance, 1984 is not found in the financial statements.
- xii) The amount of cash and stock dividend are wrongly recognized in the financial statements which have been approved by the shareholders of the company after the balance sheet date.
- xiii) The requirements relating to staff retirement gratuity are not followed while preparing the financial statements.
- xiv) Proper disclosure relating to information about the share capital of the company is not provided in the financial statements.
- xv) Distinction between the current and non-current assets/ liabilities is not made through proper classification on the face of the balance sheet.

- xvi) The information relating to the entity's place of incorporation, legal form, address of its registered office, description of the nature of its operations, and its principal activities, etc. is not provided in the financial statements.

4. OTHER IRREGULARITIES

- **REVISION OF AUDIT REPORT**

The audit reports are revised without complying with the requirements of the relevant International Standard on Auditing.

- **SIGNING/STAMPING OF FINANCIAL STATEMENTS**

Members print the financial statements on letterheads of their firms. Members sign the financial statements and place their firms' stamp/seal on the financial statements which is not appropriate as the preparation of the financial statements is the responsibility of the management of the Company.

- **AUDIT REPORT OF NON-PROFIT ORGANIZATIONS**

Audit reports issued on the financial statements of non-profit organizations are not in accordance with the prescribed format as per the Auditing Technical Release (ATR-17) issued by the Institute.

- **COMPILATION OF FINANCIAL STATEMENTS**

Members prepare reports on the compilation of the financial statements whereas such reports are not in accordance with the requirements of ISRS 4410 – "Engagements to Compile Financial Statements".