



The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN

ANNUAL REPORT

INVESTIGATION COMMITTEE

JANUARY TO DECEMBER

2017

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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, 2017.

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. The list of aforesaid irregularities has been given to provide guidance to the practicing members. However, simple 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

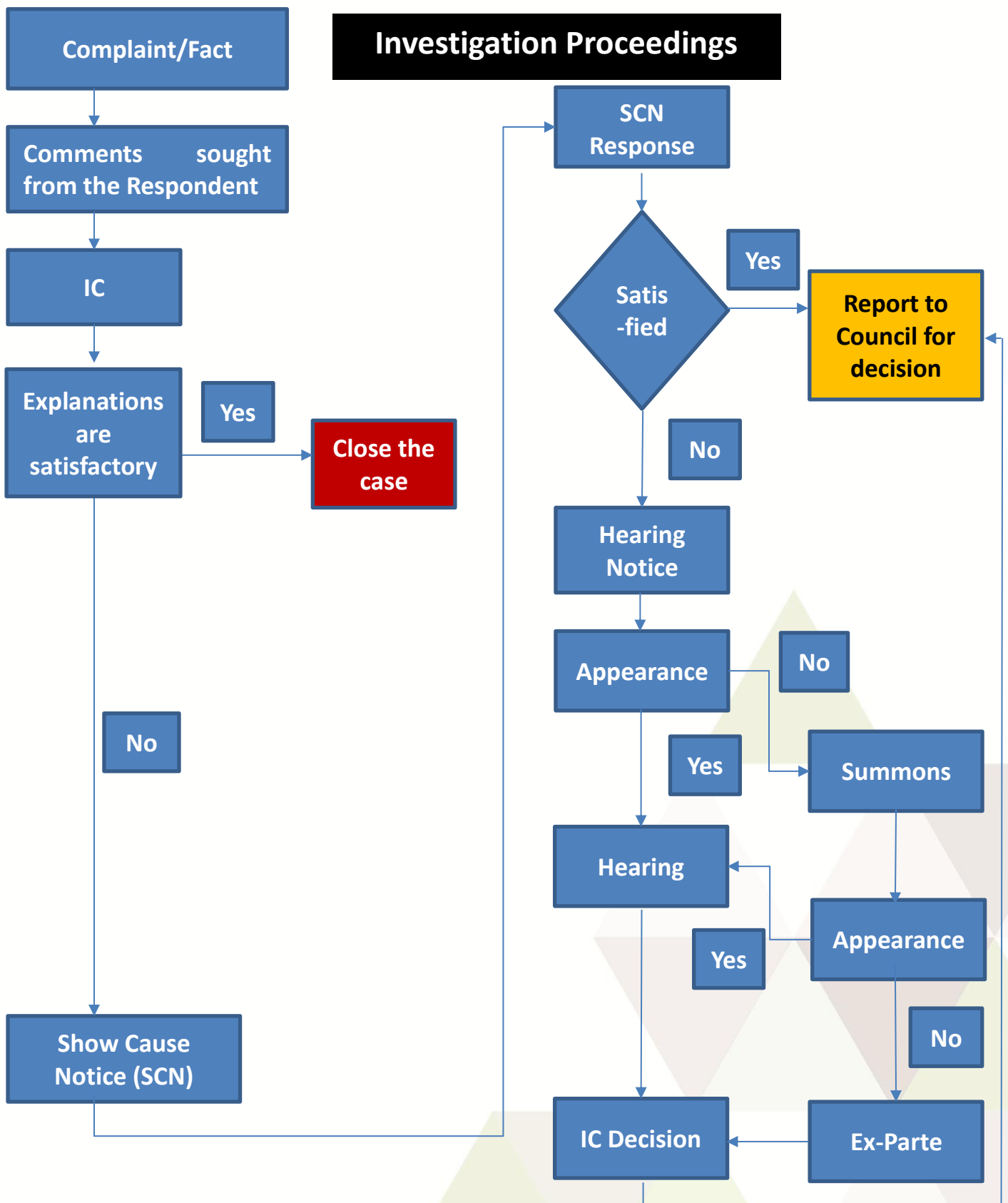
The investigation process is initiated when (a) a complaint is received by the Secretary from any member or an aggrieved person, or (b) if any facts come to the knowledge of the Secretary of the Institute, then the Secretary is required to place the complaint or the facts before the Investigation Committee, 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..

The complaint along with relevant and necessary facts is laid before the Investigation Committee. If the Investigation Committee is of the 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 conclusion of the inquiry, the Investigation Committee reports the results of the inquiry to the Council.

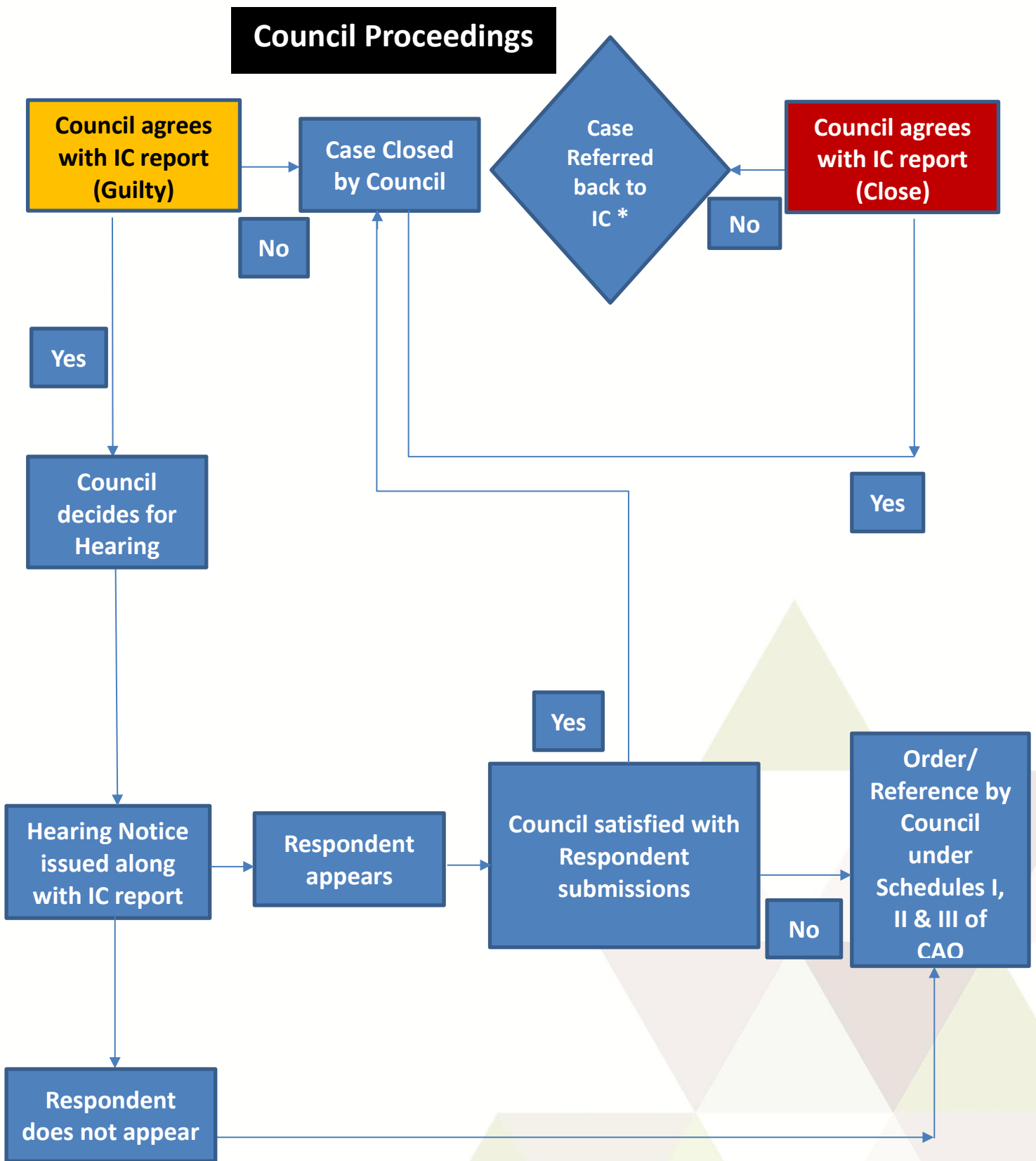
On receipt of the report by the Council, the Council also provides an opportunity to the concerned member/student of being heard, and if the Council is of the opinion that the member or student has been guilty of professional misconduct, it may reprimand/warn, impose penalty, or remove the name of such member from the Register or, in case of a student, reprimand/warn or suspend/debar the concerned 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 Schedules I, II or III of the 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, 2017 to October, 2017

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

From November, 2017 to December, 2017

Sr. No.	Name of the Members
1.	Mr. Riaz A. Rehman Chamdia, FCA *
2.	Mr. Jafar Husain, FCA, Chairman
3.	Mr. Ashfaq Yousuf Tola, FCA
4.	Mr. Imran Afzal, FCA, Independent Member
5.	Mr. Nasimuddin Hyder, FCA, Independent Member
6.	Mr. M.Z. Moin Mohajir, FCA, Independent Member
7.	Mr. Iftikhar Taj, FCA
8.	Mr. Khalid Rahman, FCA
9.	Syed Najmul Hussain, FCA
10.	Justice Ahmad 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 and Council are also supported by the services of a legal advisor, Mr. Salman Bawaney, who regularly attends the meetings of the Investigation Committee and the Council (as far as cases of professional misconduct are concerned) and provides his input on the legal aspects arising during the course of the investigation proceedings.

Investigation Department

As at December 31, 2017 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, Legal & Membership Affairs |
| 3. Mr. Anas Iqbal, ACA | Senior Manager, Investigation |
| 4. Mr. Babar Ali Shah, ACA | Manager, Investigation |
| 5. Mr. Junaid Shafqat, MBA | Assistant Manager, Investigation |

Movement of Cases

From January 1 to December 31, 2017

DESCRIPTION	INVESTIGATION COMMITTEE	COUNCIL	TOTAL
Cases at the beginning of the year	74	9	83
Cases received during the year	45	-	45
Cases referred to the Council	(16)	16	-
Cases disposed off	(26)	-	(26)
Cases decided by the Council	-	(14)	(14)
-Cases under review at the end of the year	73	11	84
-Cases held in abeyance	4	-	4
	77	11	88

Four meetings of the Investigation Committee were held during the year.

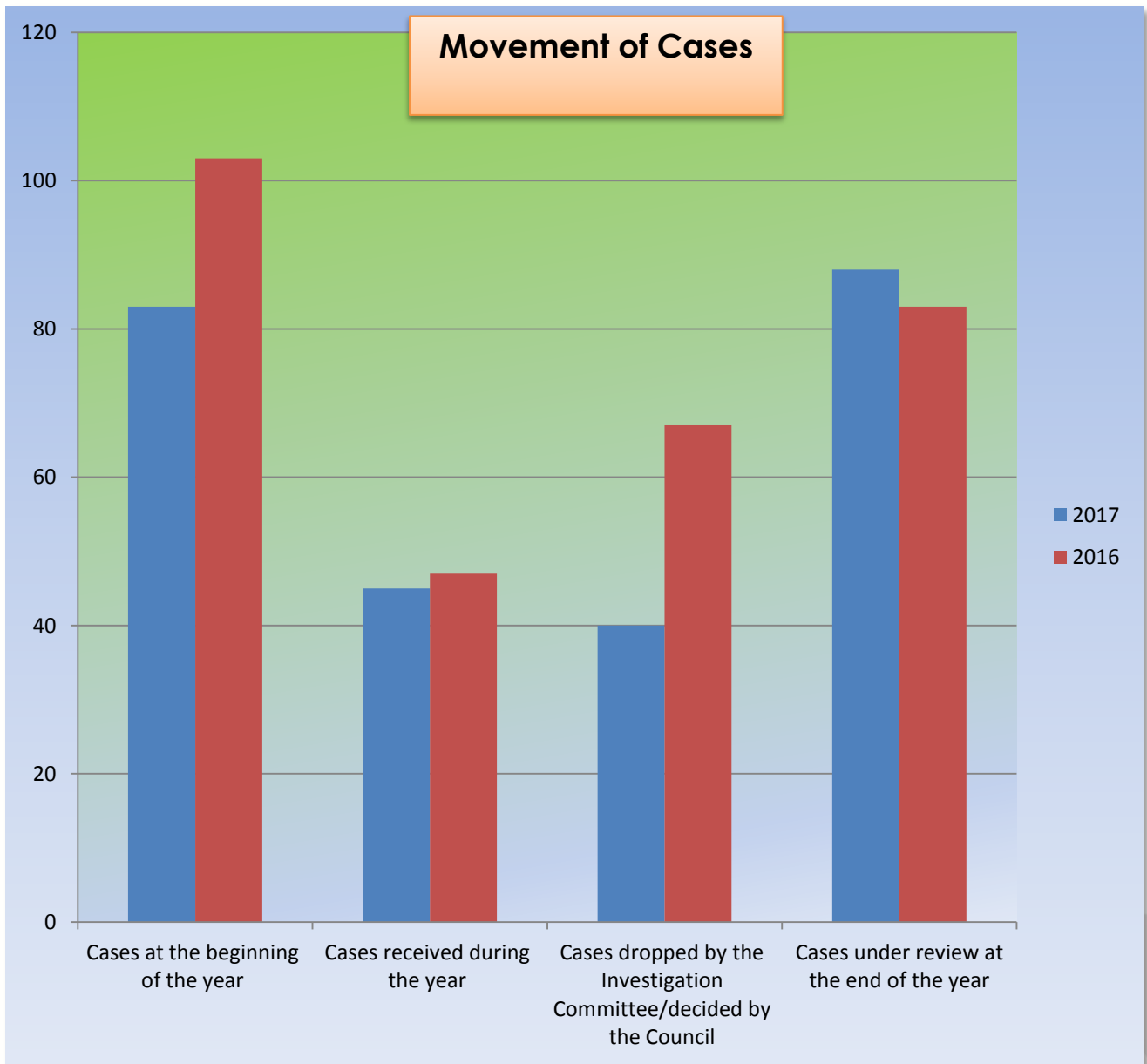
Movement of Cases

From January 1 to December 31, 2016

DESCRIPTION	INVESTIGATION COMMITTEE	COUNCIL	TOTAL
Cases at the beginning of the year	78	25	103
Cases received during the year	47	-	47
Cases referred to the Council	(12)	12	-
Cases disposed off	(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	9	83

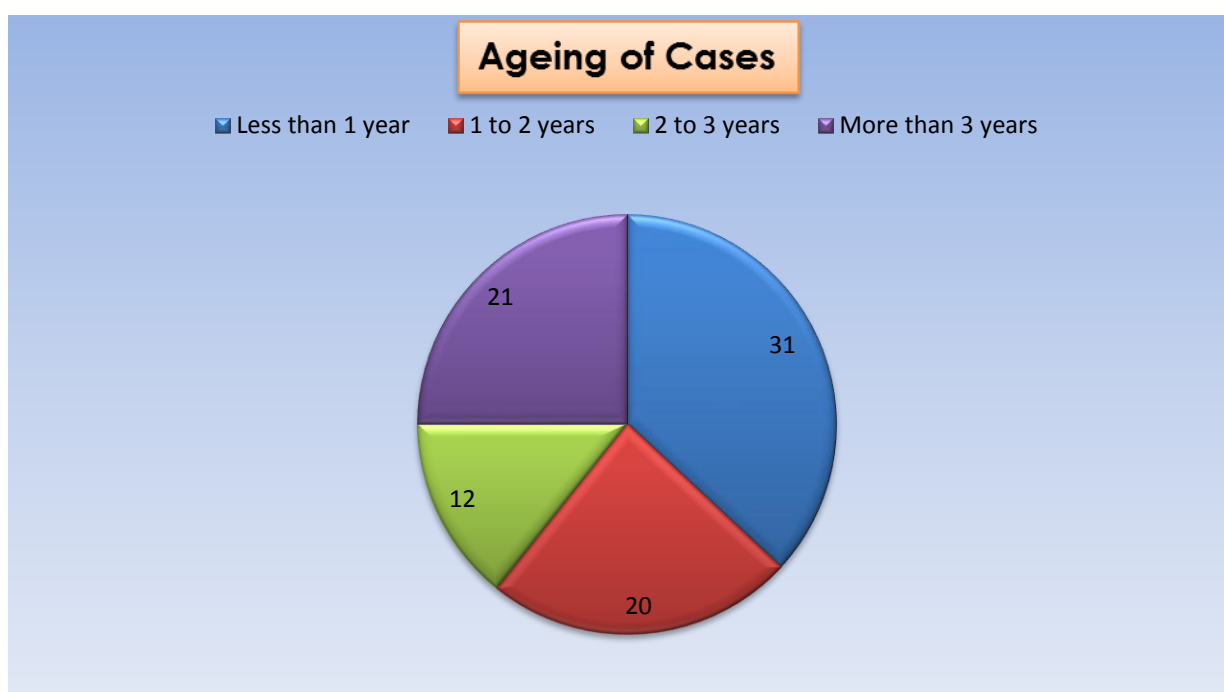
Five meetings of the Investigation Committee were held during the year.

Graphical Presentation



Nature of Orders issued by the Council during the year

Nature	No. of cases 2017	No. of cases 2016
Members reprimanded with name	05	08
Members reprimanded without name	01	07
Member warned	-	03
Removal of names from Register of Members	02	-
Cases where members were not held guilty	06	10
Total cases decided by the Council	14	28



DESCRIPTION	<1 Year	1 to 2 Years	2 to 3 Years	>3 years	Total
No. of cases (Note 1)	31	20	12	21	84

Note 1: The above numbers of cases presented do not include the 4 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.

I. AUDIT OF LISTED COMPANIES WITHOUT HAVING SATISFACTORY QCR RATING

It was noted that some practicing members of a firm conducted audit of financial statements of listed companies whereas the firm did not have Quality Control Review (QCR) rating under the QCR Program of the Institute resulting in violation of requirements of the Code of Corporate Governance and other applicable requirements.

II. FORMAT/CONTENTS OF AUDIT REPORT

Audit reports issued on financial statements of some companies were not in accordance with the requirements of Section 255 of the Companies Ordinance, 1984 and Rule 17-A of the Companies (General Provisions and Forms) Rules, 1985 (Form 35-A).

Further, qualifications stated in the audit reports lacked clarity and were not properly drafted as per the requirements of the applicable ISAs.

III. SIGNING OF THE AUDIT REPORT

In one of the instances, it was noted that a member allowed some unauthorized person to sign audit reports on his behalf resulting in violation of Section 257 of the Companies Ordinance, 1984.

IV. DISCLOSURE & OTHER DEFICIENCIES

Some auditors failed to address in their audit reports, the following irregularities in the financial statements of entities:

- 1) Cash Flow Statement and the Statement of Changes in Equity were not annexed with the financial statements.
- 2) In the financial statements, the footings of the Balance Sheet in respect of the current and the prior year's figures were not matched;
- 3) The balances reported in the Cash Flow Statement differ materially from the amounts of cash and bank balances appearing in the Balance Sheet.

- 4) 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. was not provided in the financial statements.
- 5) Note relating to the Statement of Compliance was not provided in financial statements which identifies the framework under which the financial statements were prepared.
- 6) Accounting policies were not properly disclosed in the financial statements.
- 7) Explanatory notes were not provided in the financial statements.
- 8) Accounting policy applied for charging depreciation on fixed assets was not as per the applicable requirements.
- 9) The accounting treatment regarding correction of errors was not made in accordance with the applicable requirements.
- 10) The company failed to account for the deferred tax amounts in the financial statements as per the relevant requirements.
- 11) The amounts shown under some account heads of financial statements for a financial year were reclassified in the subsequent year's financial statements without any disclosure in this respect.
- 12) Corresponding figures were not correctly reported in the financial statements.
- 13) Adequate disclosure was not made in the financial statements regarding existence of material uncertainties casting significant doubt on company's ability to continue as a going concern.
- 14) Some disclosures required by the International Accounting Standard 24 (Related party disclosures) were not made in financial statements.
- 15) Disclosure relating to the carrying amount of revalued assets that would have been recognized had the assets been carried under the cost model was not provided in the financial statements.
- 16) Some disclosure requirements of the International Financial Reporting Standard (IFRS) 7 [Financial Instruments: Disclosures] in preparation of financial statements were not complied with.

- 17) Requirements of the International Accounting Standard (IAS) 19 [Employee Benefits] in respect of actuarial valuation of liability for staff retirement gratuity were not complied in preparation of the financial statements.
- 18) Depreciation was not charged on fixed assets.
- 19) Disclosure relating to the Director's remuneration as required under Fifth schedule to the Companies Ordinance, 1984 was not provided in the financial statements.
- 20) Disclosure regarding the date when the financial statements were authorized for issue was not given in the financial statements. Further, requirements relating to authentication of financial statements of the companies were not complied with.
- 21) **Signing of Financial Statements**
A member placed his signature on the financial statements which is not appropriate as the preparation of the financial statements is the responsibility of the management of the Company.
- 22) **Audit Report of Non-Profit Organizations**
Format of audit reports issued on the financial statements of non-profit organizations were not in accordance with the prescribed format as per the Auditing Technical Release (ATR-17) issued by the Institute.
- 23) **Identification of Name of Engagement Partner**
The name of engagement partner was not identified in the audit reports resulting in non-compliance of ATR-19 issued by the Institute.
- 24) **Physical Verification of Stock**
Member failed to carry out necessary procedures in relation to the physical verification of stocks resulting in non-compliance with the requirements of ISA 500 (Audit evidence).
- 25) **Change in Address of Audit Firm**
A member did not inform the Institute regarding the change in address of his audit firm as per requirements of the Chartered Accountants Bye Laws, 1983 and Directive of the Institute.