



The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN

ANNUAL REPORT

INVESTIGATION COMMITTEE

JANUARY TO DECEMBER

2019

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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, 2019.

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

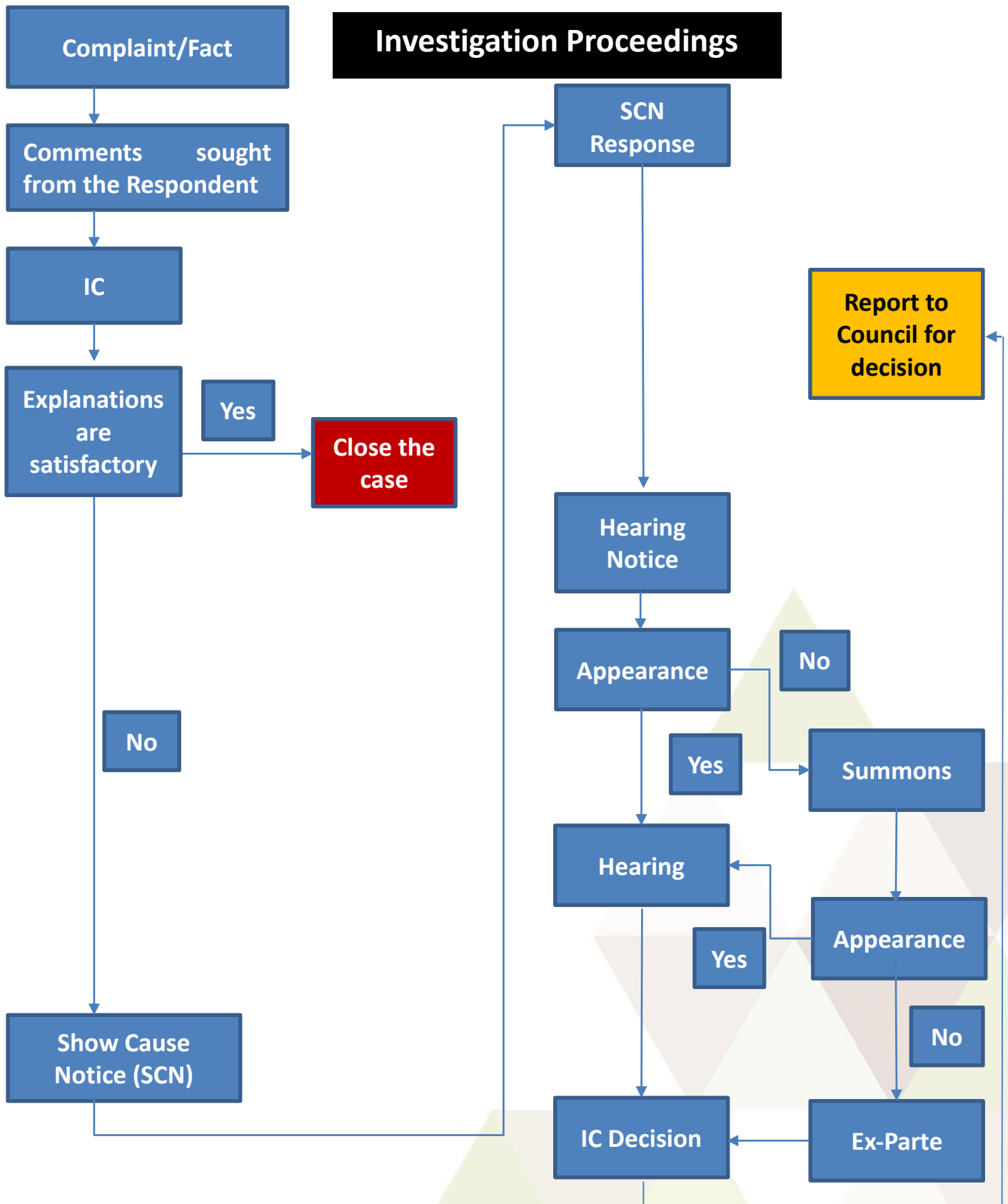
The investigation process is initiated when (a) a complaint is received by the Secretary from any member or an aggrieved person, or (b) if any facts come to the knowledge of the Secretary of the Institute, then the Secretary is required to place the complaint or the facts before the Investigation Committee,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

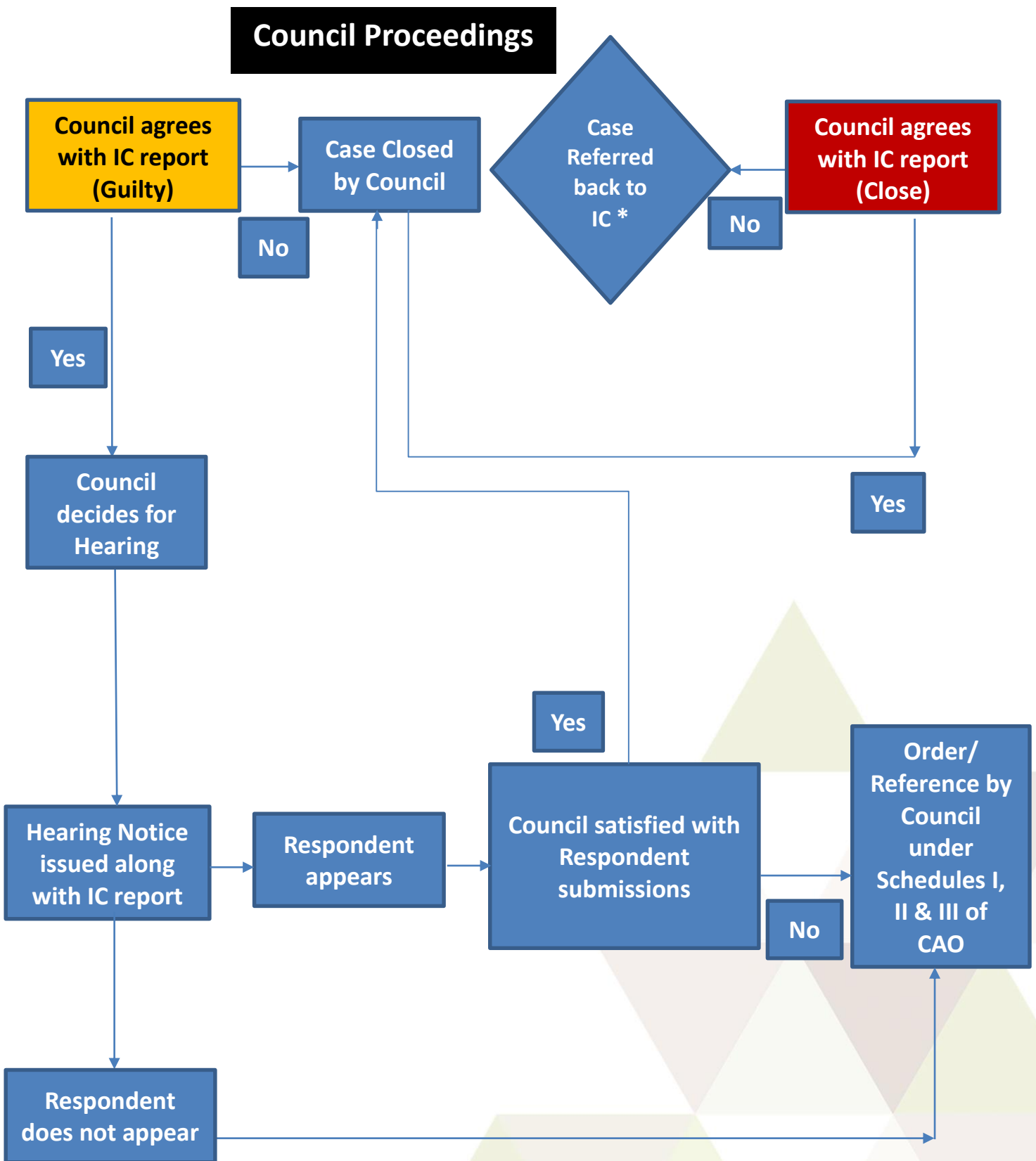
On receipt of the report by the Council, the Council also provides an opportunity to the concerned member/student of being heard, and if the Council is of the opinion that the member or student has been guilty of professional misconduct, it may reprimand/warn, impose penalty, or remove the name of such 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, 2019 to October, 2019

Sr. No.	Name of the Members
1.	Mr. Jafar Husain, FCA *
2.	Mr. M. Sharif Tabani, 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. Muhammad Awais, FCA
8.	Mr. Rana Muhammad Usman Khan, FCA
9.	Syed Najmul Hussain, FCA
10.	Justice (Retired) Ahmad Sarwana, Member

From November, 2019 to December, 2019

Sr. No.	Name of the Members
1.	Mr. Khalilullah Shaikh, FCA *
2.	Mr. Rana Muhammad Usman Khan, FCA, Chairman
3.	Mr. Iftikhar Taj, FCA
4.	Mr. Imran Afzal, FCA, Independent Member
5.	Mr. Nasimuddin Hyder, FCA, Independent Member
6.	Mr. Jalil-Ur-Rehman Tarin, FCA, Independent Member
7.	Mr. M. Sharif Tabani, FCA
8.	Mr. Riaz A. Rehman Chamdia, FCA
9.	Mr. Sami Ullah Musa, FCA
10.	Justice (Retired) 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 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.

Movement of Cases

From January 1 to December 31, 2019

DESCRIPTION	INVESTIGATION COMMITTEE	COUNCIL	TOTAL
Cases at the beginning of the year	59	15	74
Cases received during the year	31	-	31
Cases referred to the Council	(9)	9	-
Cases disposed off	(26)	-	(26)
Cases decided by the Council	-	(18)	(18)
-Cases under review at the end of the year	46	6	52
-Cases held in abeyance	9	-	9
	55	6	61

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

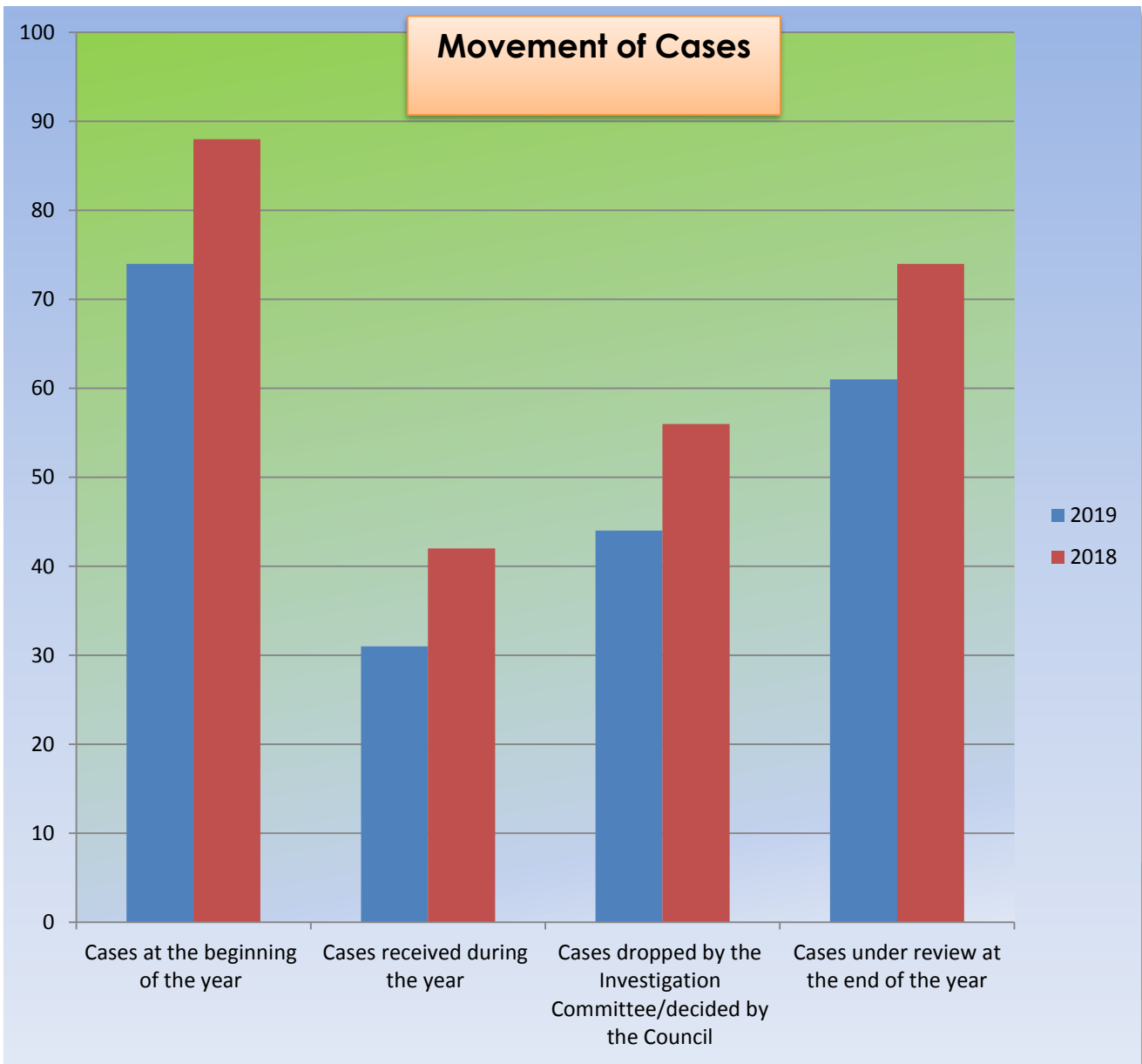
Movement of Cases

From January 1 to December 31, 2018

DESCRIPTION	INVESTIGATION COMMITTEE	COUNCIL	TOTAL
Cases at the beginning of the year	77	11	88
Cases received during the year	42	-	42
Cases referred to the Council	(20)	20	-
Cases disposed off	(40)	-	(40)
Cases decided by the Council	-	(16)	(16)
-Cases under review at the end of the year	50	15	65
-Cases held in abeyance	9	-	9
	59	15	74

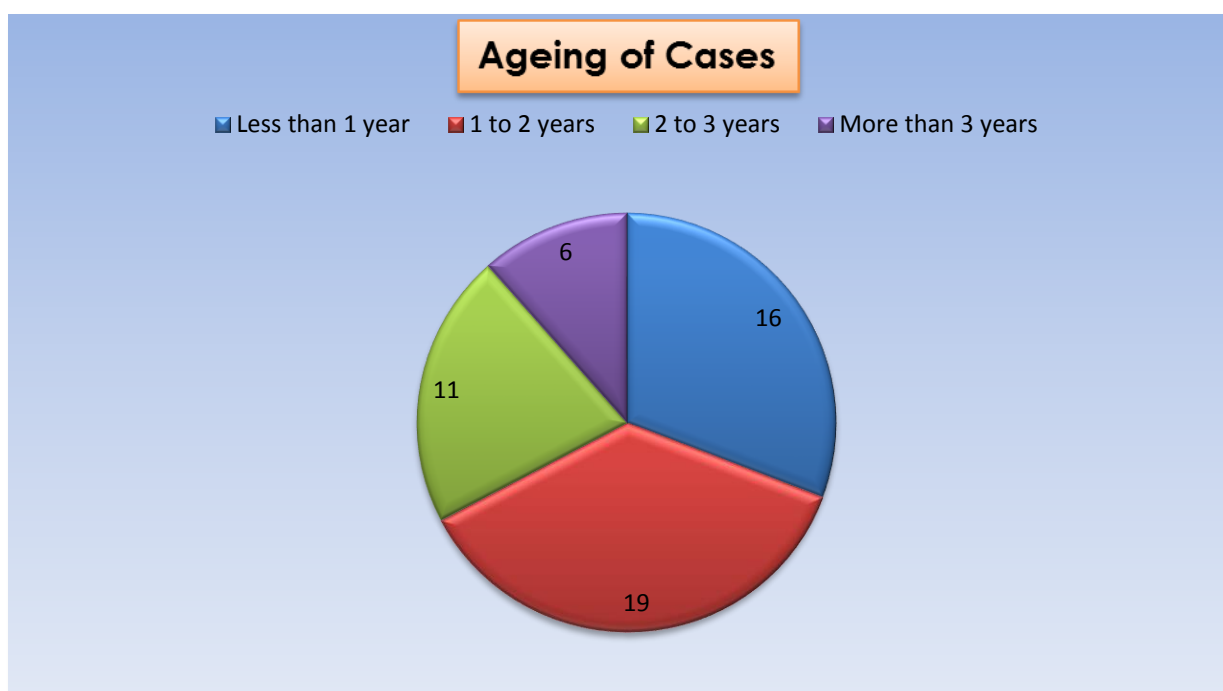
Six meetings of the Investigation Committee were held during the year.

Graphical Presentation



Nature of Orders issued by the Council during the year

Nature	No. of cases 2019	No. of cases 2018
Members reprimanded with name	04	09
Members reprimanded without name	04	02
Member warned	-	-
Removal of names from Register of Members	04	-
Cases where members were not held guilty	06	05
Total cases decided by the Council	18	16



DESCRIPTION	<1 Year	1 to 2 Years	2 to 3 Years	>3 years	Total
No. of cases (Note 1)	16	19	11	6	52

Note 1: The above numbers of cases presented do not include the 9 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 the applicable laws and regulations.

II. NON-COMPLIANCE WITH THE REQUIREMENTS OF THE CODE OF CORPORATE GOVERNANCE

Some listed companies did not mention about the status of QCR rating of their auditors in the Statement of Compliance with the Code of Corporate Governance (CCG) which resulted in non-compliance with the requirements of CCG, however, the members failed to address the above irregularity in their Review Reports on the Statements of Compliances resulting in non-compliance with the requirements of CCG.

III. 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).

IV. DATE OF AUDIT REPORT

The audit report issued on the financial statements of some companies was not dated resulting in non-compliance of Section 257 of the Companies Ordinance, 1984.

V. NON-VERIFICATION OF INVENTORY

Some practicing members of the Institute, while conducting audit of financial statements of Private Limited Companies, neither obtained sufficient appropriate audit evidence or carried out appropriate alternative procedures with reference to the actual existence and condition of the inventory which was material to the financial statements nor did they appropriately address the matter in the audit reports resulting in non-compliance of the applicable relevant laws and regulations.

VI. NON-COMPLIANCE WITH THE REQUIREMENTS OF TRAINING REGULATIONS AND GUIDELINES AND DIRECTIVES/CIRCULARS ISSUED BY THE INSTITUTE

- Member Responsible for Training (MRT) did not pay stipend to the trainee student for few months;
- MRT paid stipend to the trainee students at a rate lesser than the minimum stipend rate prescribed by the Council of the Institute; and
- MRT paid stipend to the trainee student through cash rather than banking channel.

VII. ADVERTISEMENT/SOLICITATION FOR PROFESSIONAL WORK

It was noted that some practicing members were involved in circulation of emails and publication of an advertisement in the newspaper, advertising professional services and soliciting clients for professional services, which results in the professional misconduct under the provisions of the Chartered Accountants Ordinance, 1961.

VIII. DISCLOSURE & OTHER DEFICIENCIES

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

- 1) A listed Company failed to write back the long term loan from related parties to its profit and loss account in accordance with the requirements of the applicable Accounting Standard and accordingly, the profit and loss and balance sheet of the Company did not give true and fair view.
- 2) The note relating to the Statement of Compliance was not provided in the financial statements.
- 3) Profit and Loss account, Cash Flow Statement and the Statement of Changes in Equity were not annexed with the financial statements.
- 4) Information about the basis of preparation of financial statements and specific accounting policies selected and applied for significant transactions and events were not presented in the financial statements;
- 5) Disclosure in respect of accounting policies for proper understanding of the financial statements were not provided in the financial statements.
- 6) Financial statements and the relevant explanatory notes did not provide the information regarding material items (such as fixed capital expenditure, capital work-in-progress, amounts due to associated undertakings, advances, deposits and other receivables etc.).

- 7) Disclosure regarding the date when the financial statements were authorized for issue was not given in the financial statements.
- 8) The accounting policy in respect of charging depreciation on fixed assets was not in accordance with the requirements of the Accounting and Financial Reporting Standards (AFRS) for Medium Sized Entities (MSEs) and the Circular of the Institute;
- 9) Information relating to the address of registered office of entity was not provided in the financial statements.
- 10) 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.