



DRAFT MINUTES OF

THE 50TH ANNUAL GENERAL MEETING

(PREVIOUSLY ADJOURNED) OF THE MEMBERS OF

THE NORTHERN REGION OF

THE INSTITUTE OF CHARTERED ACCOUNTANTS

OF PAKISTAN

HELD ON JUNE 18, 2012

AT 7:00 P.M AT ICAP HOUSE, PESHAWAR.



The 50th annual general meeting (AGM) of the Northern Region of the Institute of Chartered Accountants of Pakistan (ICAP) was held on June 18, 2012 at ICAP House, Peshawar. This was in continuation of the Adjourned Meeting previously held on December 27, 2011 at ICAP House, Peshawar.

The quorum of the meeting being present, the Chairman Mr. M. A. Latif welcomed the members and declared the meeting to be in order to proceed with the agenda. The proceedings of the meetings commenced with recitation from the Holy Quran.

The meeting was attended by the members as per list attached.

1. Confirmation of the minutes of the Adjourned 50th Annual General Meeting.

The minutes of the adjourned 50th AGM held on December 27, 2011 at ICAP House, Peshawar, were circulated to the members for comments on January 24, 2012. The Chairman invited the members for their observations. There were no comments on the minutes of the last AGM. The minutes were adopted as proposed by Mr. M. A. Shahid and seconded by Mr. Zeeshan Ali.

2. Consideration and adoption of Report of the Northern Regional Committee (NRC) for the year ended June 30, 2011.

Before the agenda item was deliberated by the members, the Chairman informed the members that the ICAP has taken note of the qualified audit report on the NRC financial statements and carried out a fact finding exercise. Mr. Haroon Adeel, Sr. Manager Quality Assurance was assigned the task and he collected the facts/information and also held meeting with the auditor. A fact finding report was submitted to the Council in its meeting held on May 10 & 11, 2012.

The Council considered various aspects of the report and concluded that the activity was genuine, however, directed the committee to remain cautious in future.

The chairman also informed that the Committee proposed an addendum to the committee's report 2011 that explains the facts that resulted in the qualification. The addendum to the committee's report was read aloud which is reproduced below:



ADDENDUM TO THE COMMITTEE'S REPORT 2011

This addendum is being proposed with respect to the modified audit opinion on Payment of Rs. 200,000 to Mr. Irfan Ilyas for and on behalf of CASA-North for arranging a cricket tournament. NRC confirms the following facts:

- That the CASA arranged a cricket tournament in May 2011. As CASA did not have sufficient funds at that time, expenses of the cricket tournament were paid by Mr. Irfan Ilyas, being CASA member (qualified). Subsequently in June 2011, Chairman CASA made a request to NRC for payment for and on behalf of CASA to Mr. Irfan Ilyas who had spent the money for the event. The Chairman CASA confirmed that certain sponsors have confirmed the sponsorship and on subsequent recovery from those sponsors of the tournament, the advance amount of Rs. 98,609 will be refunded by CASA to NRC. As per request of the Chairman CASA, payment amounting to Rs.200,000/- from CASA due balance of Rs. 101,391 was made to Mr. Irfan Ilyas on account of CASA from NRC Funds. The sponsors of CASA tournament have also subsequently made payments in favor of NRC on behalf of CASA.*
- Initially the amount was shown as advance to NRC member-Irfan Ilyas in the financial statements and an unqualified draft report was received from the auditors on those financial statements. However, on October 01, 2011 in NRC meeting it was decided that as the payment is not of personal nature rather he has received it on behalf of CASA for expenses already incurred; so it should be adjusted against Payable to CASA and resultant net amount receivable from CASA should be recorded in the accounts. The adjustment was approved by the Committee through majority.*
- The majority of the Committee is of the opinion that it has not violated bye-law 92 as it was payment to NRC member for and on behalf of CASA for expenses already incurred. The payment was made for reimbursement of expenses incurred by CASA – Qualified member in his capacity as CASA member, who happens to be the member of NRC as well.*

Mr. Hidayat Ali inquired what was the issue as apparently there seems to be no problem and why the auditor has qualified the report. Mr. Saifullah replied, the Auditor was provided with direct confirmations from CASA as well and was given explanation about the substance of transaction, however, the Auditor did not agree with the explanation provided to him and issued a qualified report with regard to violation of the bye-laws according to his own understanding and conclusion.



Mr. Abdul Salam Jan said the auditor should have qualified the adjustment as there was no change in the transaction and only classification was changed in accordance with substance of transaction.

The chairman explained that this is basically the matter of interpretation of bye-law and the auditor is of the opinion that the committee violated the bye-law 92 and accordingly he qualified his opinion. Now interpretation may vary from person to person and if you put yourself in the auditor shoe with such a burdensome responsibility, you may decide to take a pessimistic view of the interpretation and might qualify in your own case as well. Ultimately we have to respect the auditor opinion and we have to accept it.

The Chairman also gave a brief overview of the Committee's Report and highlighted the various activities of the year under review with special focus on CPD activities and the development of libraries.

The house then approved the committee's report along with the addendum as proposed by Mr. Zeeshan Ali and seconded by Mr. Shahid Iqbal Khattak.

3. Consideration and adoption of the audited financial statements of the Northern Regional Committee for the year ended June 30, 2011.

The chairman presented the audited financial statements and invited members for their comments.

Mr. M. A. Shahid inquired that although reasons for decrease in the surplus for the year has been explained in the committee's report but still as Chairman you should explain why there is huge decline with respect to last year and why it has not been controlled.

The chairman replied that the administrative expense have been increased i.e salary expense for year, due to appointment of full time employee for NRC. The expenditure on coaching classes was also increased with corresponding decrease in income. Moreover there is a deficit in CPD activities for the year. Mr. M. A. Shahid also inquired about NRC orientation expenses. The chairman replied that the ICAP invited NRC members to Karachi to understand working of the Institute. NRC also shared his work plan with the President ICAP for that year. A meeting with SRC was also held to get benefit of each other experience and replicate it in their respective region. The NRC orientation expenses are the travelling and incidental expenses of this activity.



Mr. Shahid Iqbal said that there is a decline of approximately Rs. 700,000 in the receipt from CPD activities and inquired whether the CPD activities for the year also decreased? The chairman replied that unfortunately in the past there was concept of building up of reserve but the purpose of the NRC is to undertake activities for the welfare of the members and we are not supposed to make surplus and accumulate funds. At the moment we have more than Rs. 10.00 million reserve and these funds were given to us primarily for the CPD and other welfare activities for the members. The ICAP is also of the opinion to subsidize the CPD activities or ensure to recover only cost and don't add a profit element on it. Mr. Faisal Iqbal Khawaja, NRC Member added that we transferred certain amount to small stations to arrange better activities and invite experts/trainers from other cities if not locally available.

Mr. Saifullah said that there is no decrease in CPD activities and approximately same numbers of hours were arranged during the year. He further said that we are here to serve you rather than to make profit.

Mr. Abdul Salam Jan inquired about decline in the fee from coaching classes. The Chairman replied that in the last year too there was a deficit of around Rs. 200,000/-. This is basically due to the fact that NRC offered concessional fee to the needy students. However as the private sector is involved and we cannot compete with them just by offering subsidized rates to the students and we have very limited resources especially in terms of HR. The council also directed us to discontinue the coaching classes and that's why the fee for the current year has been decreased. Mr. Faisal Iqbal Khawaja said that now we refer such needy students to various institutes and they give them special discounts up to 75%.

After discussion and on receiving satisfactory responses, the audited financial statements for the year ended June 30, 2011, were adopted, proposed by Mr. Amer Javed Ahmad and seconded by Mr. Abdul Salam Jan.

4. Appointment of Auditor for the year ending June 30, 2011.

The Chairman informed the house that the committee recommended Mr. Zia uddin Babri to be appointed as auditor for the year 2011-12 because Mr. Shaukat Amin Shah was not willing to be re-appointed. However this created an impression that committee members do not like honest and frank opinion and we were dealt harshly by the members. Members were of the opinion that this is not a good practice that whenever an auditor give a qualified opinion, the client change him and what kind of message NRC is giving to the public at large and NRC is going to legitimize this practice. Just to dispel



this impression, Mr. Saifullah again requested Mr. Shaukat Amin Shah and we are thankful to him that he accepted our request and has given his consent to be re-appointed for the year ended June 30, 2012. Now the members may deliberate on it and decide accordingly.

Mr. Rafaqat Ullah Babar suggested that NRC auditor should be from the list of auditors maintained by ICAP who has satisfactory Quality Control Review (QCR). Mr. Abdul Salam Jan also endorsed this suggestion. It was finally decided that although we should not compromise on the importance of QCR however we should not change the auditor particularly when last year report was qualified and in future the auditor should be from the list of auditors having satisfactory QCR. The house unanimously approved the appointment of Mr. Shaukat Amin Shah, FCA, on remuneration to be mutually agreed as proposed by Mr. M. A. Shahid and seconded by Mr. Amer Javed Ahmad.

5. Any other business with the permission of Chair.

Mr. Abdul Salam Jan expressed concern on the circular issued by the ICAP that from July 01, 2012, the surplus/deficit CPD hours of all members shall stand Zero which seems an amnesty to the defaulters and will encourage members not to participate in the CPD activities because they will be expecting a similar notification after every three years. Mr. Rafaqat Ullah Babar informed the members that council has already taken up this issue and it has been decided that the excess credit as at June 30, 2012 shall be carried forward. However, the member is required to complete minimum 20 hours each year.

The members also requested NRC to arrange a Revision Course of all IAS & IFRS in Peshawar and a family get-together as was held for members of Lahore. The Chairman requested the secretary to make necessary arrangements for the same.

There being no other business, the meeting concluded with the vote of thanks to the Chair. The Chairman thanked all the members for their valuable comments and participation in the AGM.

CHAIRMAN

SECRETARY

Encl. Attendance Sheet