



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement and Monitoring Division

NIC Building, 63-Jinnah Avenue, Blue Area, Islamabad

[Islamabad]

Before Rashid Sadiq, Executive Director

In the matter of

Mr. Sajjad Saifuddin Safri, FCA

[UNDER RULE 35 OF THE COMPANIES (GENERAL PROVISIONS AND FORMS) RULES, 1985 AND SUB-SECTION (1) OF SECTION 260 OF THE COMPANIES ORDINANCE, 1984]

Number and date of notice	EMD/233/59/2002 dated November 20, 2002
Date of hearing	May 22, 2003
Present	None
Date of Order	June 19, 2003

This Order shall dispose of the show cause proceedings initiated against Mr. Sajjad Saifuddin Safri, FCA under Sub-section (1) of Section 260 of the Companies Ordinance, 1984 (the "Ordinance") and Rule 17- A of the Companies (General Provisions and Forms) Rules, 1985 (the "Rules").

Profile of the Auditor

2. Mr. Sajjad Saifuddin Safri is a Fellow Member of the Institute of Chartered Accountants of Pakistan (the "ICAP"). He was registered with ICAP on July 01, 1961 under registration number 80. He is a practicing Chartered Accountant and is conducting his business under the name and style of '**Sajjad Safri & Co.**' at 19-20, 6th Floor, Al-Yousaf Chamber, Shahrah-e-Liaqat, Karachi.



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Background Facts

3. The facts leading to this case, briefly stated, are that M/S Sajjad Safri & Co., Chartered Accountant was appointed as Auditor of the M/S Platinum Insurance Company (the “Company”) in its Annual General Meeting held on June 29, 2001 to hold office from the conclusion of the said meeting until the conclusion of next Annual General Meeting. As M/S Sajjad Safri & Co., Chartered Accountant is a sole proprietorship, therefore, Mr. Sajjad Safuddin Safri, FCA himself was the auditor of the Company. He has made a clean report on the financial statements of the Company for the year ended December 31, 2001 (the “Accounts”).

4. The Enforcement and Monitoring Division of the Commission has conducted an examination of the Accounts to determine, among other things, as to whether the Auditor’s Report pertaining to the aforesaid financial year has been made in conformity with the requirements of Section 255, is otherwise true, contained no statement which is materially false and that there is no omission of material facts about the affairs of the Company.

5. The aforesaid examination of the Company’s Accounts revealed that the Audit Report signed by Mr. Sajjad Saifuddin Safri was not on the prescribed Form 35-A as notified by the Commission vide SRO No. 594(1)/2000 dated August 25, 2000. It was further noticed from the perusal of the Accounts that the Company has not made provision of Staff Gratuity and Compensated Absences as per requirements of International Accounting Standard 19 (Employee Benefits) and Para 25 of IAS 1 (Presentation of Financial Statements). It was also observed from the perusal of the Accounts that the Company has not amortized preliminary and deferred expenses as per Clause 5 (C) Part II of Fourth Schedule to the Ordinance. Furthermore, the following requirements of International Accounting Standards (IAS) were not followed while preparing the Balance Sheet and Profit and Loss Account for the year ended December 31, 2001:



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- Disclosure of Financial Instruments as per Para 56, 66 and 77 of IAS 32 (Financial Instruments: Disclosure and Presentation);
- Disclosure of fixed assets as per Para 60 of International Accounting Standard 16 (Property, Plant and Equipment);
- Disclosure of Earning per Share as per Para 47 of IAS 33 (Earnings Per Share).
- Disclosure that the financial statements comply with the requirement of International Accounting Standards as per the requirement of Para 11 of IAS 1 (Presentation Of Financial Statements).
- The comparative figure of remuneration of Chief Executive as per the requirement of Para 38 of IAS 1 (Presentation of Financial Statements).

Mr. Sajjad Saifuddin Safri, the Auditor of the Company, however, has not drawn attention of the members towards the aforesaid non-disclosures in his Audit Report to the members.

6. In view of the above, the Commission felt concerned about the quality of audit of the Company conducted by M/S Sajjad Safri & Co., Chartered Accountant. This appeared to be a case where the Auditor has *prima facie* failed to report in conformity with the requirements of Section 255 of the Ordinance and the report was otherwise untrue and contained a statement, which was materially incorrect.

Show Cause Notice

7. Consequently, a notice dated November 20, 2002 was issued to Mr. Sajjad Saifuddin Safri to show cause as to why action under Section 260 of the Ordinance and Rule 35 of the Rules may not be taken against him for the aforesaid



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contraventions. In response to the show cause notice, a letter dated December 15, 2002 was received from Mr. Sajjad Saifuddin Saffri requesting to drop the proceedings without even discussing the issues raised in the show cause notice. In view of the unsatisfactory response, Mr. Safri was advised vide letter dated January 21, 2003 to submit his reply to the show cause notice. No response, however, was received to the show cause notice and the Commission's aforesaid letter. In order to provide an opportunity of personal hearing, the case was fixed on May 22, 2003.

8. On the date of hearing, no one appeared before me to defend this case. I, therefore, proceed to decide this case on the basis of information and material available on record. It has been observed that Mr. Safri has neither given any response to the show cause notice nor did he appear before me to defend this case. This unresponsive attitude clearly indicates that he had nothing to argue in his defense. I am, therefore, convinced that he has performed his duties too indulgently while auditing the accounts of the Company. Even, the audit report was not made on the prescribed format. This amply demonstrates the negligence of Mr. Sajjad Saifuddin Safri who has failed to perform his duties with reasonable degree of care and skill.

Conclusion

9. In view of the foregoing, the undersigned is convinced that an action against Mr. Sajjad Saifuddin Safri, FCA is necessary. As he has not been able to give any justifiable excuse for the defaults, therefore, I consider it a deliberate act on the part of Mr. Sajjad Saifuddin Safri who was under legal obligation to perform his duties, in the course of audit of Accounts of the Company and reporting thereon, in accordance with the provisions of the Ordinance, International Accounting Standards and Auditing Standards. This is also considered intentional because of the reason that he could not improve his performance in spite of the fact he was found guilty of professional misconduct while auditing the accounts of the Company for the year ended December 31, 1998 and was reprimanded by name by Institute of Chartered Accountants of Pakistan (the "ICAP"). Mr. Sajjad Saifuddin Safri was also found grossly negligent in



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the performance of his duties in other cases and was penalized by the Commission vide order dated April 11, 2002 and November 04, 2002.

Order

10. In view of the above and after considering all the circumstances of this case and after perusing the material placed on record, I am of the view that Mr. Sajjad Saifuddin Safri is liable for punishment under Sub-section (1) of Section 260 of the Ordinance and Rule 35 of the Rules. I, therefore, impose a fine of **Rs. 4,000** (Rupees two thousand under Sub-section (1) of Section 260 of the Ordinance and Rupees two thousand under Rule 35 of the Rules) on Mr. Sajjad Saifuddin Safri, FCA.

11. Mr. Sajjad Saifuddin Safri is directed to deposit the above stated fine in the Bank Account of Securities and Exchange Commission of Pakistan within 30 days of the date of this Order and furnish a receipted challan to the Securities and Exchange Commission of Pakistan.

12. Mr. Sajjad Saifuddin Safri, FCA has repeatedly been penalized by the commission for his gross negligence in the performance of his duties as auditor of the listed companies. His case was also referred previously to ICAP for taking appropriate action in terms of the provisions of the Chartered Accountants Ordinance, 1961. A copy of this Order may also be sent to the President, ICAP for information and necessary action.

Rashid Sadiq

Executive Director (Enforcement & Monitoring)

Announced
June 19, 2003
ISLAMABAD