

**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
*Enforcement & Monitoring division*  
7<sup>th</sup>, NIC Building, Jinnah Avenue, Blue Area, Islamabad

**Before Rashid Sadiq, Executive Director**

**In the matter of**  
**M/s. Malik & Co., Chartered Accountants**

Number and date of show cause notice	No.EMD/258/31/2002 dated May 10, 2002
Date of hearing	June 24, 2002
Present	Mr. Khalil Baig, Office Manager,

**Order**

This is a case of late submission of cost audit report of M/S Fazal Vegetable Ghee Mills Limited (the "Company") by the cost auditors namely M/S Malik & Co., Chartered Accountants.

2. The relevant facts for the disposal of this case are that in terms of provisions of Sub-rule (2) of Rule 3 of the Companies (Audit of Cost Accounts) Rules, 1998 (the Rules), approval for appointment of M/S Malik & Co., Chartered Accountants as cost auditors of the Company for the year ended June 30, 2001 was given by this Commission on November 28, 2001. Accordingly, the cost auditors were required to furnish their report to the Commission within sixty days of their appointment i.e. by January 27, 2002 as per Sub-rule (3) of Rule 4 of the Rules. The cost auditors submitted their report to the Commission on March 4, 2002 i.e. with a delay of thirty-five days.

3. Consequently, a notice dated May 10, 2002 was served upon the cost auditors to show cause as to why fine may not be imposed for late submission of the report. The show cause notice was responded by the cost auditors vide their letter dated May 15, 2002. In order to provide an opportunity of personal hearing, the case was fixed on June 24, 2002. Mr. Khalil Baig, Office Manager, Malik & Co., Chartered Accountants appeared on the date of hearing and argued the case.

4. In the written submissions as well as verbal arguments given at the time of hearing, it was contended that the delay of 35 days occurred due to statutory audit which was simultaneously conducted with the Cost Audit, both of them (cost auditors as well as the statutory auditors) have to obtain the information from the same set of books of accounts, hence delay was unintentional. It was requested to condone the delay. An assurance was given for compliance of statutory requirements in future.

5. After having considered the arguments of the cost auditors and the relevant facts and circumstances of this case, I am of the view that although provisions of sub-rule (3) of rule 4 of the Rules were violated by the cost auditor, the reasons given for delay carried some force. The cost auditors have been unable to get books from the Company timely for the performance of the statutory duties imposed on them. It was their responsibility to have brought this delay to the notice of the Commission at that point of time. During the course of hearing, Mr. Mr. Khalil Baig has demonstrated to me that the cost auditors have made reasonable efforts for timely taking up the cost audit of the Company to avoid any breach of the Rules. I am, therefore, inclined to give them another chance to observe the compliance in future. In conclusion, I impose no fine for the aforesaid default. I impress upon the cost auditors to please ensure strict observance of the statutory requirements in future. In case of non-compliance, they will face difficulty in getting a similar leniency in future.

6. I also instruct my office to send a copy of this Order to the Company with advise to ensure timely availability of the books to the cost auditor when they will visit the Company next time for cost audit.

***Rashid Sadiq***

*Executive Director (Enforcement & Monitoring)*

**Announced**  
**June 27, 2002**  
**ISLAMABAD**