

Securities and Exchange Commission of Pakistan
Enforcement & Monitoring Division
7th Floor, NIC Building, Jinnah Avenue, Blue Area, Islamabad

Before Rashid Sadiq, Executive Director

In the matter of
M/S Tahir Razzaque Khan & Co., Chartered Accountants

Number and date of notice	258/55/CMA/2002 dated February 20, 2002
Date of hearing	June 18, 2002
Present	Mr. Muhammad Tahir Razzaque Khan, FCA

Order

This is a case of late submission of cost audit report of M/S Punjab Oil Mills Limited (the "Company") by the cost auditors namely M/s. Tahir Razzaque Khan & 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. Tahir Razzaque Khan & Co., Chartered Accountants as cost auditors of the Company for the year ended June 30, 2001 was given by this Commission on August 06, 2001. Accordingly, the cost auditors were required to furnish their report to the Commission within sixty days of their appointment i.e. by October 05, 2001 as per Sub-rule (3) of rule 4 of the Rules. The report was, however, submitted by the Company on January 02, 2002.

3. Consequently, a notice dated February 20, 2002 was served upon the cost auditors to show cause as to why fine may not be imposed for late submission of their report. The show cause notice was responded by the cost auditors vide their letter dated March 05, 2002. In order to provide an opportunity of personal hearing, the case was fixed on May 16, 2002, which was adjourned and re-fixed on June 17, 2002. Mr. Muhammad Tahir Razzaque Khan, FCA, however, appeared on June 18, 2002 and argued the case.

4. In the written submissions as well at the time of hearing, it was contended that the delay in finalization of cost audit of the aforesaid company was not intentional but was due to certain anomalies in the Companies Ordinance 1984 and the Companies (Audit of Cost Accounts) Rules, 1998. The audited accounts of the company were available to the Cost

Auditors on December 13, 2001 which were in accordance with section 233 read with section 158 of the Companies Ordinance, 1984. The Cost Auditors completed the audit within two weeks after the availability of accounts and submitted the Cost Audit Report to the company on December 27, 2001. The default was not intentional but circumstantial due to conflicting provisions of Cost Audit Rules and the substantive provisions of the Companies Ordinance, 1984. He also stated that when substantive provisions are in conflict with the rule (which are subordinate to the substantive legislation), the rule must give way to the substantive provisions to prevail. He further stated that he has also written a letter to the Company to make available the record for completion of the cost audit to avoid breach of the statutory provisions. He, however, has not placed a copy of such letter on record. He also requested to condone the delay and assured to comply with the statutory provisions in future.

5. Having carefully considered the arguments advanced by Mr. Muhammad Tahir Razzaque Khan who has been unable to get books from the Company in time for the performance of the statutory duties imposed on him, I am of the view that the provisions of Sub-rule (3) of rule 4 of the Rules were violated by the cost auditors. I do not agree to the contention that there is any anomaly in the Cost Audit Rules and the provisions of the Companies Ordinance, 1984. It was the responsibility of the Company to have timely finalized its financial accounts and to make available record for cost audit. At the same time, it was also the duty of the cost auditors to have brought the difficulty faced by them in getting books of account for the purposes of cost audit to the notice of the Commission. The cost auditors have not done this. During the course of hearing, however, it has been sufficiently demonstrated 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 him another chance to observe the compliance in future. I hope that the cost auditors will react reasonably. 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 case of default in future.

6. A copy of this Order shall also be sent 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 28, 2002
ISLAMABAD