

Securities and Exchange Commission of Pakistan

*Enforcement and Monitoring Division*

NIC Building, Jinnah Avenue, Blue Area, Islamabad

BEFORE EXECUTIVE DIRECTOR  
ENFORCEMENT AND MONITORING

*In the matter of*

**MR. NASIM AKHTAR, B.COM, ACA**

Number and date of show cause notice	19 (686) CF /ISS/2001 dated September 06, 2001
Date of hearing	October 25, 2001
Present	Mr. Nasim Akhtar, ACA

ORDER UNDER SECTION 260  
OF THE COMPANIES ORDINANCE, 1984

The facts giving rise to this case, briefly stated, are that the examination of audited accounts of M/S Delta Insurance Company Limited (hereinafter referred to as "Company") for the year ended December 31, 2000 revealed that the audit report to the members attached to the balance sheet and profit and loss account has been signed by Mr. Nasim Akhtar, B.Com. A.C.A. on behalf of M/S Mahmood Zuberi & Co. The report was signed at Karachi on June 08, 2001. As audit reports are not usually signed in this style, it raised apprehension as to whether the said report was signed in accordance with the provisions of the Companies Ordinance, 1984 (the 'Ordinance'). On an enquiry from the Institute of Chartered Accountants of Pakistan (the "ICAP") it was transpired that Mr. Mahmood Ali Khan, FCA is the sole proprietor of the firm namely M/S Mahmood Zuberi

& Co. and as such, Mr. Nasim Akhtar, ACA, who was not the partner of the said firm of Chartered Accountants, was not authorized to sign the audit report on his behalf.

3. As Mr. Nasim Akhtar, ACA has *prima facie* violated the provisions of Sub-section (1) of Section 257 of the Ordinance which requires that “only the person appointed as auditor of the Company, or where a firm is so appointed, only a partner in the firm practicing in Pakistan, shall sign the auditors’ report,” therefore, a show cause notice dated September 06, 2001 was served on him “to show cause, in writing, within seven days and to appear in person or through an authorized representative to explain as to why penalty may not be imposed on him as provided under Sub-section (1) of Section 260 read with Section 476 of the Ordinance and as to why he may not be prosecuted under Sub-section (2) of Section 260 of the Ordinance for the aforesaid contravention.”

4. In response to the aforesaid show cause notice, Mr. Nasim Akhtar, ACA, vide his letter dated September 29, 2001 admitted that he has signed the audit report for and on behalf of M/S Mahmood Zuberi & Co., Chartered Accountants. He further argued that the members of the Company have not appointed Mr. Mahmood Ali Khan but it was M/S Mahmood Zuberi & Co., Chartered Accountants who were appointed as auditors of the Company. He interpreted that the words “& Co.” accommodates him and other Chartered Accountants to act as such if so permitted by the Principal Mr. Mahmood Ali Khan. It was also stated that there has been no violation of the provisions of Sub-section (1) of Section 257 of the Ordinance.

5. The case was fixed for hearing on October 25, 2001, on which date Mr. Nasim Akhtar appeared and repeated the same arguments as were advanced in the reply to the show cause notice. He also submitted a written reply stating that Mr. Mahmood Ali Khan, FCA and Mr. Nasim Akhtar, ACA are partners in M/S. Mahmood Akhtar & Co., Chartered Accountants. He also tried to justify the signing of the audit report by pressing upon the existence of legal and professional relationship and partnership between Mr. Mahmood Ali Khan, FCA and Mr. Nasim Akhtar, ACA. He also stated that by signing balance sheet on each others behalf, they have not done anything wrong, as both the Chartered Accountants are available to assume the responsibility of the balance sheet

jointly and severally. There is no substance in the said arguments because Mr. Nasim Akhtar and Mr. Mahmood Ali Khan are partners in the firm namely M/S Mahmood Akhtar & Co, and not M/S Mahmood Zuberi and Co., which is a business name of Mr. Mahmood Ali Khan, Chartered Accountant who was appointed as auditor of the Company. Faced with this situation, Mr. Nasim Akhtar accepted the default and also requested for a lenient view.

6. Before proceeding to decide this matter, it would be useful to go through the relevant provisions of law pertaining to signing of audit reports and other documents. Under Sub-section (1) of Section 257 it has been made mandatory that only the person appointed as auditors of the company or where a firm is so appointed in pursuance of Sub-section (2) of Section 254, only a partner in the firm practicing in Pakistan, shall sign the auditors' report. The Chartered Accountants Ordinance, 1961 also contains provisions to deal with such situations. According to Part 1 of Schedule I annexed to the said Ordinance, a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he allows a member not being his partner to sign on his behalf any balance sheet, profit and loss account, report or financial statement. According to Part 4 of the said schedule, a member of ICAP shall be deemed to be guilty of professional misconduct, if he contravenes any of the provisions of the Chartered Accountants Ordinance, 1961. The above provisions of law have been enacted with a view that only the person(s) who have been appointed by the members of a company to act as auditor(s) shall sign the report on the accounts of the said company.

7. The argument of Mr. Nasim Akhtar that the members of the Company have appointed M/S Mahmood Zuberi & Co., Chartered Accountants and not Mr. Mahmood Ali Khan is not based on facts. The truth of the matter is that according to Form 29 dated February 06, 2001 filed by the Company with the Registrar, Company Registration Office, Karachi Mr. Mahmood Ali Khan s/o Mr. Mahboob Ali Khan was appointed as auditors. Even if M/S Mahmood Zuberi & Co. was appointed as auditors, he has never been the partner of said firm and as such he was not entitled to sign the auditors' report in terms of Sub-section (1) of Section 257 of the Ordinance.

8. The above facts and circumstances demonstrably establish that Mr. Nasim Akhtar has contravened the provisions of Sub-Section (1) of Section 257 by signing the audit report on the annual accounts of the Company of which he was never appointed as auditor. The auditors' report, therefore, is made otherwise than in conformity with the requirement of the aforesaid provisions of law. The default is willful and Mr. Nasim Akhtar has made himself liable for punishment. I, therefore, impose a fine of **Rs 2,000** (Rupees two thousand) on Mr. Nasim Akhtar, ACA for the willful default under Sub-section (1) of Section 260 read with Section 476 of the Ordinance. Further, during the examination of this case, number of important matters have come to my notice due to which decision regarding the role of auditors in terms of Sub-section (2) of Section 260 of the Ordinance shall be decided through a separate order, after giving him an opportunity of personal hearing.

9. Mr. Nasim Akhtar is directed to deposit the fine in the designated bank account of Securities and Exchange Commission of Pakistan, maintained with Habib Bank Limited within 30 days of the date of this Order and furnish a receipted challan to the Securities and Exchange Commission of Pakistan.

10. Mr. Nasim Akhtar, Chartered Accountant is also guilty of professional misconduct in terms of Clause 6 of Part 4 of Schedule I annexed to the Chartered Accountants Ordinance, 1961. I am directing my office to send a copy of this order to ICAP for taking appropriate action against Mr. Nasim Akhtar under the provisions of the Chartered Accountants Ordinance, 1961.

**RASHID SADIQ**

*Executive Director (Enforcement & Monitoring)*

**Announced**

*October 30, 2001*

**ISLAMABAD**