



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director (Corporate Supervision Department)

In the matter of

Amin Mudassar & Co., Chartered Accountants- Cost Auditor of Husein Sugar Mills Limited

Number and Date of SCN: EMD/C.O.258/86/2002-1121, dated February 27, 2015
Hearing held on: February 18, 2016
Present: Mr. Muhammad Dawood, Representative

ORDER

UNDER RULE 5 OF THE COMPANIES (AUDIT OF COST ACCOUNTS) RULES, 1998 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

This order shall dispose of the proceedings initiated against Amin Mudassar & Co., Chartered Accountants (the "respondent"), in respect of cost audit of Husein Sugar Mills Limited (the "Company") for the year ended September 30, 2014 that was conducted by the respondent. The proceedings against the respondent were initiated through show cause notice ("SCN") dated January 12, 2016 under the provisions of Rule 5 Of the Companies (Audit Of Cost Accounts) Rules, 1998, (the "Rules") read with Section 476 Of the Companies Ordinance, 1984, (the "Ordinance").

2. The brief facts of the case are that the Company appointed the respondent as its cost auditor for the year ended September 30, 2014 with effect from October 31, 2014. Consequently, in terms of sub-rule (3) of rule 4 of the Rules, the respondent was required to submit cost audit report (the "Report") of the Company for the aforesaid period latest by December 31, 2014. However, it was received by the Commission on February 02, 2015, with a delay of 33 days. As per record, the respondent also did not convey to the Commission any difficulty which delayed the performance of his duties and finalization of the cost audit of the Company within the timeline prescribed under the Rules. Consequently, the SCN was issued to the respondent for, prima facie, contravention of the provisions of sub-rule (3) of rule 4 of the Rules by not submitting the Report to the Commission within the prescribed time and for not submitting a supplementary report on reconciliation with financial accounts as per paragraph 15 of Appendix III to the Rules.

3. In response to the SCN, the respondent submitted reply vide letter dated March 4, 2015. With reference to the contents of the SCN, following is a brief of the reply:

- Delay in filing of cost audit report was caused mainly due to the fact that statutory audit of the company was completed in last week of December 2014. The statutory auditors of



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the company had possession of accounting and other record to accomplish the audit assignment.

- Upon request of the Company's management vide letter No .HSM-CA/2014 dated January 07, 2015 to commence the cost audit of the company, we had started audit immediately and same had been completed for submission of cost audit report to the Commission.
- We have always submitted cost audit reports on or before the due date since year ended September 30, 2008. Therefore, it is requested that delay in filing of cost audit report may please be condoned as endeavors are always made to comply with provisions of the Ordinance and Rules made thereunder with letter and spirit.

4. A hearing in the matter was held on February 18, 2016 and Mr. Muhammad Dawood appeared on behalf of the engagement partner Mr. Muhammad Amin. He mainly reiterated the earlier written submissions and requested for a lenient view in the matter. Subsequently, under the cover of letter dated February 18, 2016, a statement from the respondent was provided whereof it was stated that there was no difference in the Report and the financial accounts for the year ended September 30, 2014.

5. Before proceeding further, it is necessary to advert to the following relevant provisions of the Rules.

Sub-rule (3) of rule 4 of the Rules requires that the cost auditor shall make out a report within sixty days of his appointment to the directors in the form set out in Appendix II along-with a statement of capacity utilization and stock-in-trade as specified in clauses (a) and (b) of sub-rule (1) in the form set out in Appendix III and simultaneously shall submit two copies thereof to the Securities and Exchange Commission of Pakistan and the registrar concerned.

Paragraph 15 of Appendix III to the Rules requires that after the auditor appointed under section 252 of the Companies Ordinance 1984, submits his report, the cost auditor shall submit a supplementary report on reconciliation with financial accounts to the directors before the date fixed for holding the annual general meeting of the company.

Rule 5 of the Rules provides that whoever fails or refuses to comply with, or contravenes any provision of these rules, or knowingly and willfully authorises or permits such failure, refusal or contravention shall, in addition to any other liability under the Companies Ordinance, 1984, be also punishable with fine not



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exceeding two thousand rupees and, in case of continuing failure, refusal or contravention, with a further fine not exceeding one hundred rupees for every day after the first during which such contravention continues.

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under rule 5 of the Rules have been delegated to Director (Corporate Supervision Department).

6. I have analyzed the facts of the case, submissions made by the respondent and the relevant provisions of the Rules. It transpires that the provisions of the Rules have been violated as the respondent has not filed the Report within sixty days of its appointment as cost auditor of the Company for the year ended September 30, 2014. The Report was filed with the Commission on February 2, 2015 with a delay of 33 days. In respect of supplementary report on reconciliation of cost audit report with the financial statement, the respondent has justified that since there was no difference in the figures, therefore, the reconciliation was not prepared. In view of track record of the respondent in respect of filing of cost audit reports and assurance for future compliance, instead of imposing fine, I hereby conclude the proceedings against the respondent to be careful in future and ensure meticulous compliance with applicable legal provisions.

Amina Aziz

Director (Corporate Supervisions Department)

Announced:

March 4, 2016

Islamabad