

*Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)*

**In the matter of Show Cause Notice issued to HLB Ijaz Tabussum & Company, Chartered Accountant Auditor of Pak Datacom Limited**

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Date of Hearing

August 07, 2019, August 29, 2019, March 02, 2020

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**Order-Redacted Version**

Order dated June 02, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of HLB Ijaz Tabussum & Company, Chartered Accountant Auditor of Pak Datacom Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated April 15, 2019
2. Name of Company	HLB Ijaz Tabussum & Company, Chartered Accountant
3. Name of Individual	The proceedings were initiated against auditor of Pak Datacom Limited i.e. HLB Ijaz Tabussum & Company, Chartered Accountant
4. Nature of Offence	In view of alleged violations of section 260 of the Companies Ordinance, 1984.
5. Action Taken	Key findings of default were reported in the following manner:  I have analyzed that the Company is a listed company and the prime source of information about the operational efficiency and financial stability are the financial statements of the Company. A statutory auditor is required to follow the requirements of the Ordinance, relevant Rules, ISAs and express an opinion using professional judgement and maintaining professional skepticism. Further auditor is required to identify and assess risks of material misstatements, obtain sufficient appropriate audit evidence and form an opinion based on conclusion drawn from such evidence. However, in view of the observations above, it is clear that the



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## Adjudication Division Adjudication Department-I

	<p>respondent did not demonstrate prudent assessment of policy for revenue recognition by Company that may render the risk of the underlying financial statements being misstated.</p> <p>2. From the above discussion and after careful consideration of all the facts of this case, I am of the view that while Respondent was not able to demonstrate justifiable grounds for basis of revenue recognition. However it is viewed that the board of directors are entrusted with the prime responsibility of preparing and approving the financial statements, therein the policy of revenue recognition is approved by board of directors. It is also noted that the Commission through its separate order on similar grounds i.e. the subject restatement of financial statements, has deliberated on the stance of the Company regarding revenue recognition w.r.t the liberty of recognition of stage of contract provided under IAS-11, and concluded the proceeding with no adverse order. The respondent, being auditor of the Company for the year ended June 30, 2016, relied on the policy adopted by the Company on revenue recognition.</p> <p>Warning order dated June, 2020 was passed by Executive Director (Adjudication-I).</p>
2. Penalty Imposed	No penalty imposed
3. Current Status of Order	No Appeal has been filed by the respondents

Redacted version issued on August 28, 2020 for placement of website of the Commission.