



# Securities and Exchange Commission of Pakistan

Adjudication Division  
Adjudication Department-I

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

**In the matter of Pak Leather Craft Limited**

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Dates of Hearing October 6, 2020, November 25, 2020,  
December 17, 2020

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### **Order-Redacted Version**

Order dated January 12, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Pak Leather Craft Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated January 22, 2019
2. Name of Company	Pak Leather Craft Limited
3. Name of Individual*	The proceedings were initiated against the directors of the Company i.e. Pak Leather Craft Limited
4. Nature of Offence	Violations of Listed Companies (Code of Corporate Governance) Regulations, 2017 read with section 512 of the Companies Act, 2017
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the facts of the case, submissions made in writings and relevant arguments made by the Authorized Representative during the hearing proceedings. A brief of the matter is summarized in the following manner:</p> <p>(i) It was duly admitted that SOC annexed with the Accounts 2018 was not on the format as specified in the Regulations through its annexure A. The Respondents' stance that the Regulations would come into force for the period starting after December 31, 2017 is not tenable as in terms of Regulation 1(3) of the Regulations the same were equally applicable for the year ended June 30, 2018. The aforesaid attracts violation of Regulation 40 of the Regulations.</p> <p>(ii) Through reply dated February 11, 2019, it was furnished that under the circumstances, appointment of qualified persons for the positions (company secretary, chief financial officer and head of internal audit) is neither affordable nor viable. Authorized Representative during the hearing proceedings</p>



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	<p>and in written submission stated that CFO and Company secretary is bachelor of commerce and a very senior person with the Company. Moreover, during the hearing, the Authorized Representative informed that qualified person has been hired for the position of head of internal audit having MBA qualification. The Authorized Representative, however, did not provide a supporting document in terms of which he could satisfy that a qualified person was recruited for the position of head of internal audit. The aforesaid reflects that at the relevant time of Auditors' Review Report on SOC for the year ended June 30, 2018, the Respondents had violated the given requirements of Regulation 23 and Regulation 24 of the Regulations as evidence of suitability of the persons was not determined by the Commission. In case of the company secretary, the requirements were specified through the Companies (General Provisions and Forms) Regulations, 2018, which were notified subsequent to financial year 2018 of the Company, hence, violation of Regulation 25 of the Regulations is not attracted in given case.</p> <p>(iii) The terms of audit committee of the Company, as per approval of board of directors' dated April 27, 2017 were reviewed vis-à-vis the requirements Regulation 28(3) of the Regulations. In this regard, it is observed that the terms of reference of audit committee, are not found cohesive and does not contain all the terms as defined in the Regulation 28 of the Regulations. It is also observed that these terms were not updated subsequent to promulgation of the Regulations; hence, violation of Regulation 28 of the Regulations is attracted. Moreover, the Company has provided minutes of audit committee meetings held on September 25, 2018, April 24, 2018, February 27, 2018, and October 27, 2018, however, minutes of audit committee meeting for the September quarter for the period ended September 30, 2017 were not provided. In view of the aforesaid, only 3 audit committee meetings were held during the financial year 2018. The Respondents, hence, violated the requirements of Regulation 28 of the Regulations.</p> <p>(iv) The Respondents have not furnished a reply to the alleged violation of Regulation 32 of the Regulations. During the hearing, it was informed that a qualified head of internal audit was recruited by the Company. The Respondents, however, by not furnishing any reply and any evidence of compliance in this regard, has admitted the default. The aforesaid is substantiating evidence that at the relevant time of Auditors' Review Report on SOC, the Respondents were</p>
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	<p>in violation in terms of Regulation 32 of the Regulations for not setting up effective internal audit function.</p> <p>Keeping in view of the cited violations of the Regulations, in terms of Regulation 41 of the Regulations and section 512 of the Act, an aggregate penalty of Rs. 50,000/- (Rupees fifty thousand) on the Respondent chief executive and chairman of the Company.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission or violation of the Act.</p>
6. Penalty Imposed	Penalty was imposed on chairman and chief executive.
7. Current Status of Order	No Appeal has been filed by the respondents.

Redacted version issued on June 08, 2021 for placement of website of the Commission.