**Before**

### Abid Hussain – Executive Director/Head of Department

***In the matter of***

**Mr. Tanwir Arif, FCA**

 **Tanwir Arif & Co., Chartered Accountants**

**Auditors of Khyber Textile Mills Limited**

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| Dates of Hearing | September 23, 2022 |

**Order-Redacted Version**

 Order dated September 27, 2022 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Mr. Tanwir Arif, FCA, Engagement Partner of Tanwir Arif & Co. Chartered Accountants (**the Auditor**), the auditors of Khyber Textile Mills Limited. Relevant details are given as hereunder:

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| **Nature** | **Details** |
| 1. Date of Action
 | Show cause notice dated August 19, 2022 |
| 1. Name of Company
 | Mr. Tanwir Arif, FCA, Engagement Partner of Tanwir Arif & Co. Chartered Accountants (**the Auditor**), the auditors of Khyber Textile Mills Limited |
| 1. Name of Individual
 | The proceedings were initiated against the Mr. Tanwir Arif, FCA, Engagement Partner of Tanwir Arif & Co. Chartered Accountants (**the Auditor**), the auditors of Khyber Textile Mills Limited |
| 1. Nature of Offence
 | Proceedings were initiated in terms of sub-regulation (3) of regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (**the Regulations**) read with regulation 37 thereof and sub-section (2) of Section 512 of the Companies Act, 2017 (**the Act**)Brief facts of the case are that the Companyheld election of directors in its annual general meeting (**AGM**) on October 25, 2019 wherein seven directors were elected including only one independent director namely Mr. \*\*\*\*\* as against the mandatory requirement for listed companies, under regulations 6(1) of the Regulations to have at least two or one third members of the Board, whichever is higher, as independent directors. The review of the Statement of Compliance with the Regulations given under audited financial statements for the period ended June 30, 2019 and June 30, 2020 **(the Accounts)** revealed that despite having only one independent director on its Board, the Company stated that it has complied with all the mandatory provisions of the Regulations and the Auditor in its review report on Company's Statement of Compliance with the Regulations for the years ended June 30, 2019 and June 30, 2020 did not highlight the said non-compliance by the Company. |
| 1. Action Taken
 | Key findings were reported in the following manner:I have gone through the fact of the case, relevant provisions of the law, the record placed before me, written and verbal submission made by the Respondent. It is observed that election of directors of the Company was held in AGM on October 25, 2019 wherein the Company was required to elect at least two independent directors in terms of regulation 6 of both the CCG Regulations, 2017 and the Regulations. However the Company appointed only one independent director and the Auditorin its review report on Company's Statement of Compliance with the Regulations for the years ended June 30, 2019 and June 30, 2020 has failed to highlight the said non-compliance by the Company. The plea of the Auditor that the requirement related to number of independent directors was not mandatory under CCG Regulations, 2017 is not tenable due to the fact that compliance with all the provisions of CCG Regulations, 2017 was a must for the listed companies and “Comply or Explain” approach was introduced in the Regulations wherein few regulations were made “mandatory” and leaving remaining at the discretion of the companies to either comply or explain reasons otherwise.From the above discussion and after careful consideration of all the facts of the case, I, am of the view that the Auditor did not appropriately highlight non-compliance of CCG Regulation 6 in the respective Auditor’s Report on financial statements of the Company for the year 2020.Keeping in view the above, I, in exercise of the powers conferred under regulation 37 of the Regulations read with Section 512 of the Act, hereby impose penalty of **Rs. 25,000/- (Rupees Twenty Five Thousand only**) on the Respondent.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, violation of the Act.  |
| 1. Penalty Imposed
 | **Rs. 25,000/- (Rupees Twenty Five Thousand only**) |
| 1. Current Status of Order
 | No Appeal has been filed by the respondents. |