



Corporate Supervision Department  
Company Law Division

Before Abid Hussain – Executive Director

*In the matter of*

**M/s Z.A. Nasir & Co. Chartered Accountants  
Auditor of Sialkot Oil Refinery (Pvt.) Limited**

Number and date of notice: CSD/ARN/254/2015-2838 dated January 25, 2016  
Date of hearings: February 22, 2016  
Present: Mr. Zulfiqar Ahmed Nasir, FCA

**ORDER**

**UNDER SECTION 260 READ WITH SECTION 255 & 476 OF THE COMPANIES  
ORDINANCE, 1984**

This order shall dispose of the proceeding initiated against Z.A Nasir & Co. Chartered Accountants ("respondent") through show cause notice (the "SCN") dated January 25, 2016 under the provisions of Section 260 read with Section 255 and 476 of the Companies Ordinance 1984 (the "Ordinance").

2. The facts leading to this case, briefly stated, are that, examination of annual audited financial statements ("Accounts") for the year ended June 30, 2013 of Sialkot Oil Refinery (Pvt.) Ltd. (the "Company") filed under Section 242 of the Companies Ordinance, 1984 (the "Ordinance") revealed that audit report to the members of the Company was not in conformity with the provision of Sub-section 3 of Section 255 of the Ordinance and Form 35A, as prescribed under Rule 17A of the Companies (General Provision & Forms) Rules, 1985 ("the Rules").

3. The respondent being auditor of the Company failed to report on following in their report to the members dated October 7, 2013:

- a) whether or not they have obtained all the information and explanations which to the best of their knowledge and belief were necessary for the purposes of the audit;
- b) whether or not in their opinion proper books of accounts as required by this Ordinance have been kept by the company;
- c) whether or not in their opinion the balance-sheet and profit and loss account or in the income and expenditure account have been drawn up in conformity with this Ordinance and are in agreement with the books of accounts;
- d) whether or not in their opinion-



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- (i) the expenditure incurred during the year was for the purpose of the company's business; and
- (ii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the company ; and
- e) whether or not in their opinion zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
4. Therefore, SCN was issued to the respondent for, prima facie, contravention of Section 255 of the Ordinance.
5. In reply to the SCN, the respondent vide letter dated January 26, 2016 submitted that the audit report under the format specified by International Standard of Auditing ("ISA") 700 was inadvertently issued to the company on October 7, 2013. However upon discovery of the fact, we immediately collected the original report from the client and the report under Form 35A was immediately released to the Company which was in conformity with all the provisions of the Ordinance. However, photocopy of the previously issued audit report was inadvertently submitted along with the audited financial statements to the SECP.
6. In order to provide opportunity of personal hearing; the case was fixed before the undersigned on February 22, 2016. Mr. Zulfiqar Ahmed Nasir, FCA appeared in the hearing and admitted the default and requested a lenient view in the matter.
7. Before proceeding with the order, it is appropriate to quote the provisions of Section 255(3) of the Ordinance stipulating duties of auditors. It requires that the auditor shall make a report to the members of the company on the accounts and books of account of the company and on every balance sheet and profit and loss account and on every other document forming part of the balance sheet and profit and loss account, including notes, statements or schedules appended thereto, which are laid before the Company in general meeting during their tenure of office, and the report shall state:
- (a) *whether or not they have obtained all the information and explanations which to the best of their knowledge and belief were necessary for the purposes of the audit;*
- (b) *whether or not in their opinion proper books of accounts as required by this Ordinance have been kept by the company;*



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- (c) *whether or not in their opinion the balance-sheet and profit and loss account or in the income and expenditure account have been drawn up in conformity with this Ordinance and are in agreement with the books of accounts;*
- (d) *whether or not in their opinion and to the best of their information and according to the explanations given to them, the said accounts give the information required by this Ordinance in the manner so required and give a true and fair view—*
- (i) *in the case of the balance-sheet, of the state of the company's affairs as at the end of its financial year;*
  - (ii) *in the case of the profit and loss account or the income and expenditure account, of the profit or loss or surplus or deficit, as the case may be, for its financial year; and*
  - (iii) *in the case of the statement of changes in financial position or sources and application of funds of a listed company, of the changes in the financial position or the sources and application of funds for its financial year;*
- (e) *whether or not in their opinion-*
- (i) *the expenditure incurred during the year was for the purpose of the company's business; and*
  - (ii) *the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the company ; and*
- (f) *whether or not in their opinion zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.*

8. Section 260 of the Ordinance states that if any auditor's report is made, or any document of the company is signed or authenticated otherwise than in conformity with the requirements of section 157, section 255 or section 257 or is otherwise untrue or fails to bring out material facts about the affairs of the company or matters to which it purports to relate, the auditor concerned and the person, if any, other than the auditor who signs the report or signs or authenticates the document, and in the case of a firm all partners of the firm, shall, if the default is willful, be punishable with fine which may extend to one hundred thousand rupees.

9. In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under Section 260 have been delegated to Executive Director (Corporate Supervision Department).

10. I have analyzed the facts of the case, relevant provisions of the Ordinance and ISA, arguments put forth by the respondent and observed that the auditor's report does not conform to Section 255 and Form 35 A as prescribed under Rule 17 A of the Rules. The entity in question is a



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on the format prescribed through Form 35 prescribed under Rule 17-A of the Rules containing requirements of Section 255 of the Ordinance. The statutory auditor of a company is not empowered to decide whether the prescribed format is appropriate in case of a particular company.

11. For the foregoing reasons, I am of the firm opinion that audit report have not been made in conformity with section 255 of the Ordinance, therefore, in exercise of the powers conferred by Section 260 of the Ordinance, I hereby impose a fine of Rs.10,000 (Rupees ten thousand only) on the respondent.

The respondent is hereby directed to deposit fine of Rs.10,000 (Rupees ten thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty days from the receipt of this Order and furnish receipted vouchers for information and record, failing which proceedings under the Land Revenue Act,1967 will be initiated.

**Abid Hussain**  
Executive Director

**Announced:**  
March 2, 2016  
Islamabad