



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

Tariq Shakoor, Horizon Consultant
Auditor of Mundia Textile Mills (Private) Limited

Number and date of notice: No. CSD/ARN/437/2016-838 dated September 5, 2016
Date of hearing: November 7, 2016
Present: Mr. Tariq Shakoor, Horizon Consultant

ORDER

UNDER SECTION 254 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

This order shall dispose of the proceedings initiated against Mr. Tariq Shakoor (*the "respondents"*), appointed as statutory auditor of the Company by the Directors of Mundia Textile Mills (Private) Limited (*the "Company"*) through show cause notice ("*SCN*") dated September 5, 2016 issued under the provisions of Section 254 read with Section 476 of the Companies Ordinance 1984 (*the "Ordinance"*).

2. Brief facts of the case are that review of the audited financial statements of the Company for the period ended June 30, 2013 (*the "Accounts 2013"*), the auditor report on accounts dated October 7, 2013, Form-A filed dated October 31, 2013 and 2014, and consent letters submitted by the auditor reveal that the Company appointed Mr. Tariq Shakoor of Horizon Consultants, as statutory auditors (*the "auditors"*) for the period ended June 30, 2013 and 2014, respectively.

Section 254 (1) of the Ordinance require that in the case of a private company having paid up capital of three million rupees or more, a person shall not be qualified for appointment as an auditor unless he is a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961). The Company is a private limited company having a paid up capital of Rs. 8.5355 million and was required to appoint a Chartered Accountant. However the auditor appointed i.e. Mr. Tariq Shakoor is not a Chartered Accountant nor his firm is registered with the Institute of Chartered Accountants of Pakistan (ICAP).

3. The consent submitted by Mr. Tariq Shakoor, Horizon Consultant to act as auditor of the Company and his subsequent appointment as auditor of the Company, prima facie, was not in



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accordance with the provisions of Section 254 (1) of the Ordinance, as neither he was a Chartered Accountant nor his firm was registered with the ICAP. Consequently, a SCN was served upon the respondents on September 5, 2016 to show cause as to why penalty be not imposed under Sub-section 6 of Section 254 of the Ordinance for the alleged violations by the respondents. The respondent failed to reply to the contents of SCN, hence a hearing opportunity was fixed on November 7, 2016. Mr. Tariq Shakoor attended the hearing from Company Registration Office (CRO), Karachi of the Commission and submitted his representations, which are summarized hereunder:

- a. He was not cognizant of the requirement of law regarding the eligibility of the auditor.
 - b. The Company's has no operations and is a closely held company, hence he assumed that he can undertake the audit of the Company. He further informed that he possess master's degree in business administration; and
 - a. The authorized representative admitted the default and requested for a lenient view.
4. Before proceeding further, it is necessary to advert to the following relevant provisions of Ordinance:

Section 254 (1) of the Ordinance requires that:

"(1) A person shall not be qualified for appointment as an auditor, -

(i) in the case of a public company or private company which is subsidiary of a public company; and

(ii) in the case of a private company having paid up capital of three million rupees or more unless he is a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961)".

Section 254 (6) of the Ordinance provides:

"A person who, not being qualified to be an auditor of a company, or being or having become subject to any disqualification to act as such, acts as auditor of a company shall be liable to fine which may extend to twenty-five thousand rupees".



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In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 492 have been delegated to the Executive Director (Corporate Supervision Department).

5. I have analyzed the facts of the case, relevant provisions of the Ordinance, arguments put forth by the representative during the hearing and observed that the respondent not only submitted his consent to act as auditor in contravention of applicable provisions but also conducted the audit of the Annual Accounts of the Company and went to such an extent that he issued an audit report fully knowing that he is not qualified to be appointed as statutory auditor of the Company.

6. For the foregoing reasons, I am of the firm opinion that the provision of Section 254 of the Ordinance has been violated and the respondent is liable for fine as prescribed by this Section. Therefore, in exercise of the powers conferred by the aforesaid provision of the Ordinance, I hereby impose a fine of Rs. 10,000 (Rupees Ten thousand only) on the respondents for contravening the provision of Section 254 (6) of the Ordinance.

The aforesaid fine must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the "Securities and Exchange Commission of Pakistan" within thirty days from the receipt of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of fine, proceedings for recovery of the fines as arrears of land revenue will be initiated under Section 42B of Securities and Exchange Commission of Pakistan Act, 1997. It may also be noted that the said fines are imposed on the respondent in his personal capacity; therefore, he is required to pay the said amount from his personal resources.

Abid Hussain
Executive Director

Announced:
December 16, 2016
Islamabad

