



The Institute of  
Chartered Accountants  
of Pakistan

CA  
PAKISTAN

# ANNUAL REPORT

INVESTIGATION COMMITTEE

JANUARY TO DECEMBER

2020

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## Preamble

This report provides an overview of the proceedings of the Investigation Committee (IC) and the Council of the Institute relating to cases of professional misconduct considered under the provisions of the Chartered Accountants Ordinance, 1961 for the period from January 1, 2020 to December 31, 2020.

The following chapters explain the process of an investigation from an initiation of a complaint/fact to its conclusion along with a diagrammatic presentation of the process.

Among other matters, this report discusses nature of irregularities which have been committed by the members. The list of aforesaid irregularities has been given to provide guidance to the members. However, reliance on that list would not absolve a member from compliance with all the requirements mandated under various statutes, rules, regulations, directives etc.

## Introduction of the Investigation Process

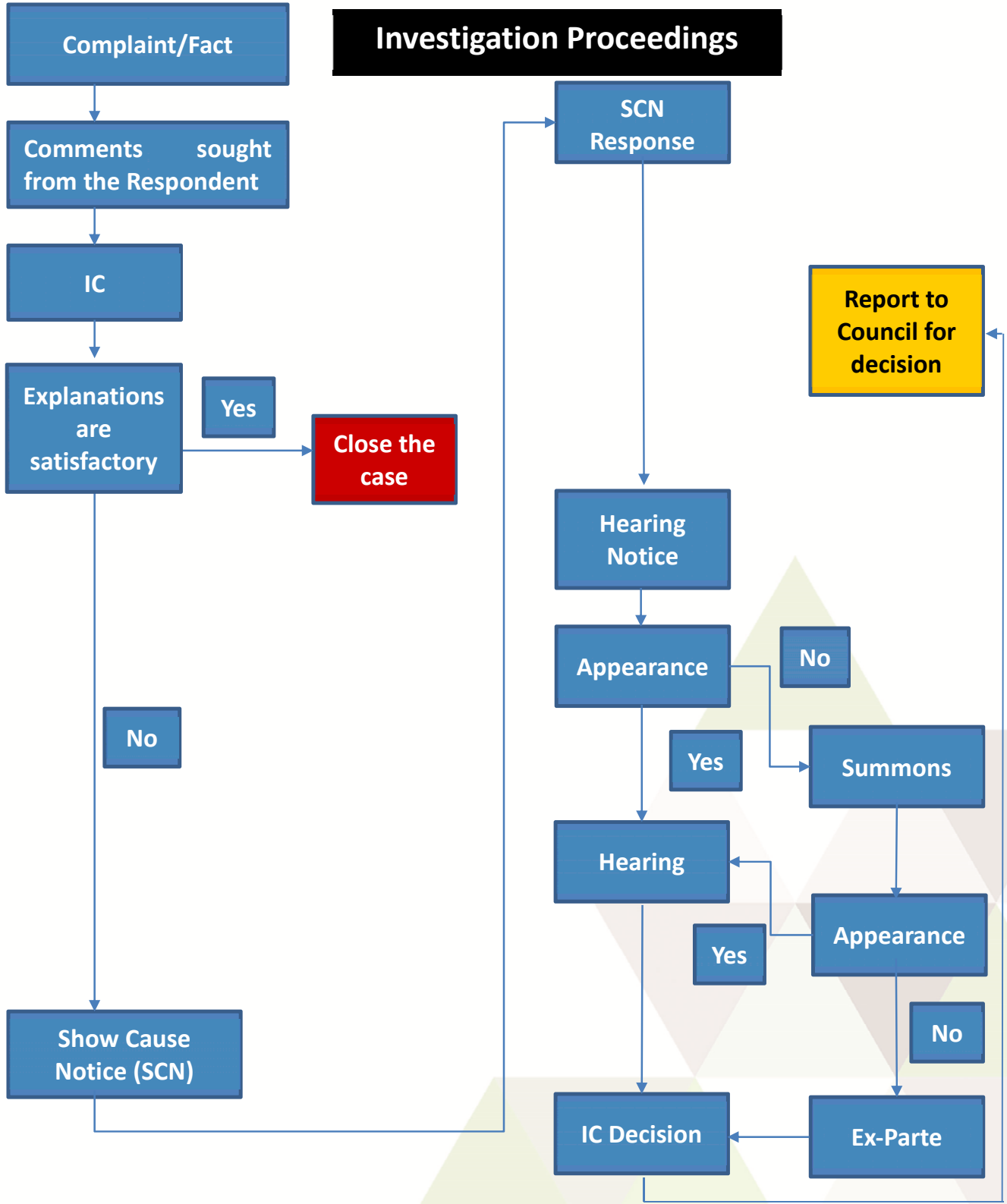
The investigation process is initiated when (i) a complaint is received by the Secretary from any member or an aggrieved person, or (ii) if any facts come to the knowledge of the Secretary of the Institute, then the Secretary is required to place the complaint or the facts before the Investigation Committee, if the latter suggest that a prima facie case of professional misconduct as specified in Schedules I, II & III of the Chartered Accountants Ordinance, 1961, arises against a member or a student of the Institute.

The complaint along with relevant and necessary facts (including information and explanations provided by the Complainant and the Respondent) is laid before the Investigation Committee. If the Investigation Committee is of the opinion that such facts or complaint require investigation, it gives notice to the member or student whose conduct is in question for holding an inquiry. The member or student is given an opportunity of being heard, and after conclusion of the inquiry, the Investigation Committee reports the results of the inquiry to the Council.

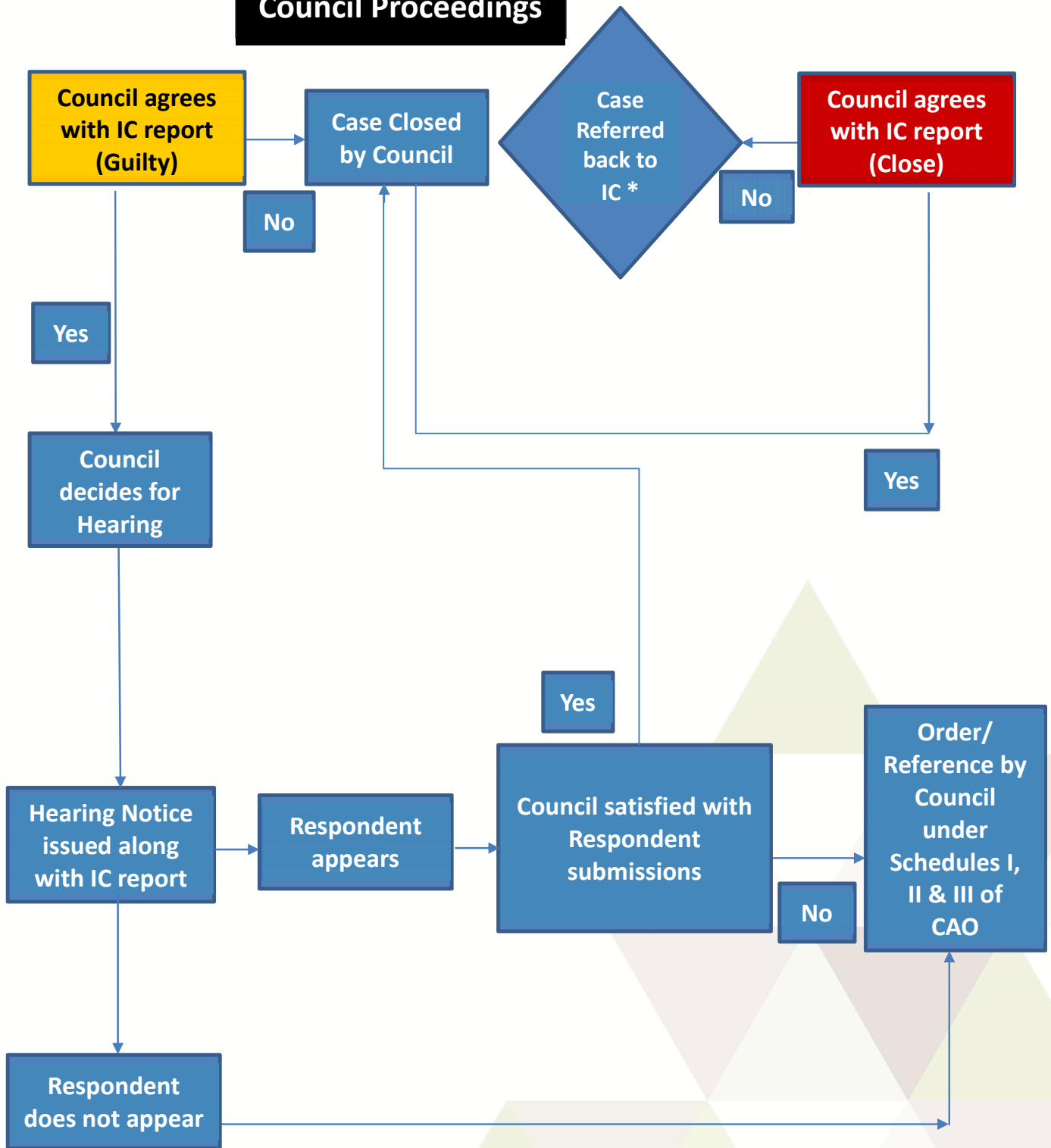
On receipt of the report by the Council, the Council also provides an opportunity to the concerned member/student of being heard, and if the Council is of the opinion that the member or student has been guilty of professional misconduct, it may reprimand/warn, impose penalty, or remove the name of such member from the Register or refer the case of the member to the High Court with its recommendations or, in case of a student, reprimand/warn or suspend/debar the concerned student from training depending upon the nature of offences as mentioned in Schedules I, II or III of the Chartered Accountants Ordinance, 1961. Thereafter, the decision is communicated to the concerned persons including Complainant.

A member who is aggrieved by an order of the Council made against him has the right to file an appeal before the Honorable High Court against the order of the Council within a period of sixty days from the date of communication of the said order.

## Diagrammatic Flow of Investigation Process



## Council Proceedings



\* The IC will consider the matter in the light of observations raised by the Council including the reasons for referring the matter back to IC.

## Composition of the Investigation Committee

From January, 2020 to October, 2020

Sr. No.	Name of the Members
1.	Mr. Khalilullah Shaikh, FCA *
2.	Mr. Rana Muhammad Usman Khan, FCA, Chairman
3.	Mr. Iftikhar Taj, FCA
4.	Mr. Imran Afzal, FCA, Independent Member
5.	Mr. Nasimuddin Hyder, FCA, Independent Member
6.	Mr. Jalil-Ur-Rehman Tarin, FCA, Independent Member
7.	Mr. M. Sharif Tabani, FCA
8.	Mr. Riaz A. Rehman Chamdia, FCA
9.	Mr. Sami Ullah Musa, FCA
10.	Justice (Retired) Ahmad Sarwana, Member

From November, 2020 to December, 2020

Sr. No.	Name of the Members
1.	Mr. Iftikhar Taj, FCA *
2.	Mr. Muhammad Ali Latif, FCA, Chairman
3.	Mr. Rana Muhammad Usman Khan, FCA
4.	Mr. Imran Afzal, FCA, Independent Member
5.	Mr. Nasimuddin Hyder, FCA, Independent Member
6.	Mr. Jalil-Ur-Rehman Tarin, FCA, Independent Member
7.	Mr. Saifullah, FCA
8.	Mr. Riaz A. Rehman Chamdia, FCA
9.	Mr. Sami Ullah Musa, FCA
10.	Justice (Retired) Ahmad Sarwana, Member

\* As per tradition, the President does not attend the meetings of Investigation Committee. Accordingly, the meetings of the committee are chaired by the Vice President.

The Investigation Committee and Council are also supported by the services of a legal advisor.

## Movement of Cases

From January 1, 2020 to December 31, 2020

DESCRIPTION	INVESTIGATION COMMITTEE	COUNCIL	TOTAL
Cases at the beginning of the year	55	6	<b>61</b>
Cases received during the year	22	-	<b>22</b>
Cases referred to the Council	(11)	11	-
Cases disposed off	(18)	-	<b>(18)</b>
Cases decided by the Council	-	(7)	<b>(7)</b>
-Cases under review at the end of the year	40	10	50
-Cases held in abeyance	8	-	8
	<b>48</b>	<b>10</b>	<b>58</b>

Four meetings of the Investigation Committee were held during the year.

## Movement of Cases

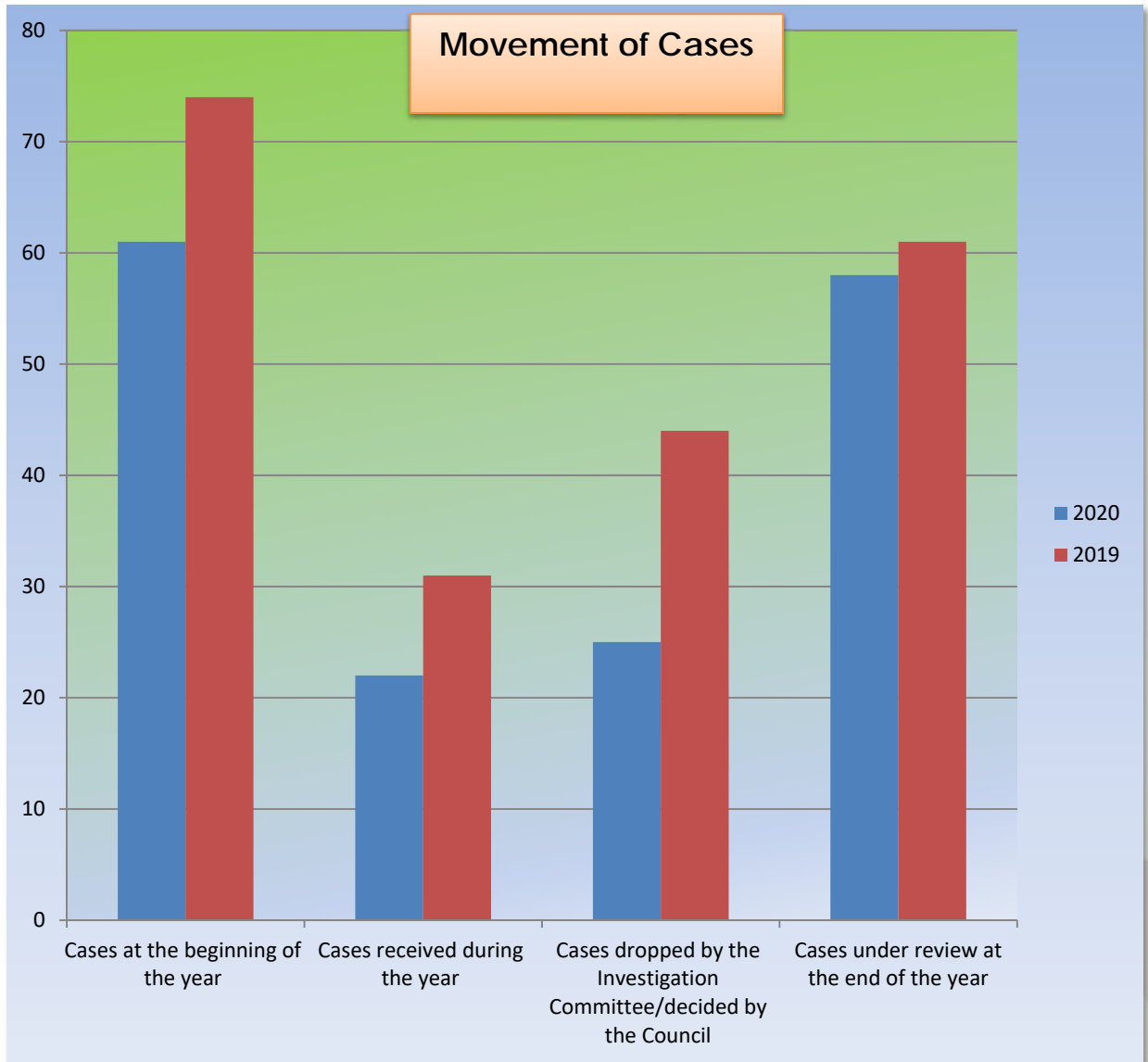
From January 1 to December 31, 2019

DESCRIPTION	INVESTIGATION COMMITTEE	COUNCIL	TOTAL
Cases at the beginning of the year	59	15	<b>74</b>
Cases received during the year	31	-	<b>31</b>
Cases referred to the Council	(9)	9	-
Cases disposed off	(26)	-	<b>(26)</b>
Cases decided by the Council	-	(18)	<b>(18)</b>
-Cases under review at the end of the year	46	6	52
-Cases held in abeyance	9	-	9
	<b>55</b>	<b>6</b>	<b>61</b>

Four meetings of the Investigation Committee were held during the year.

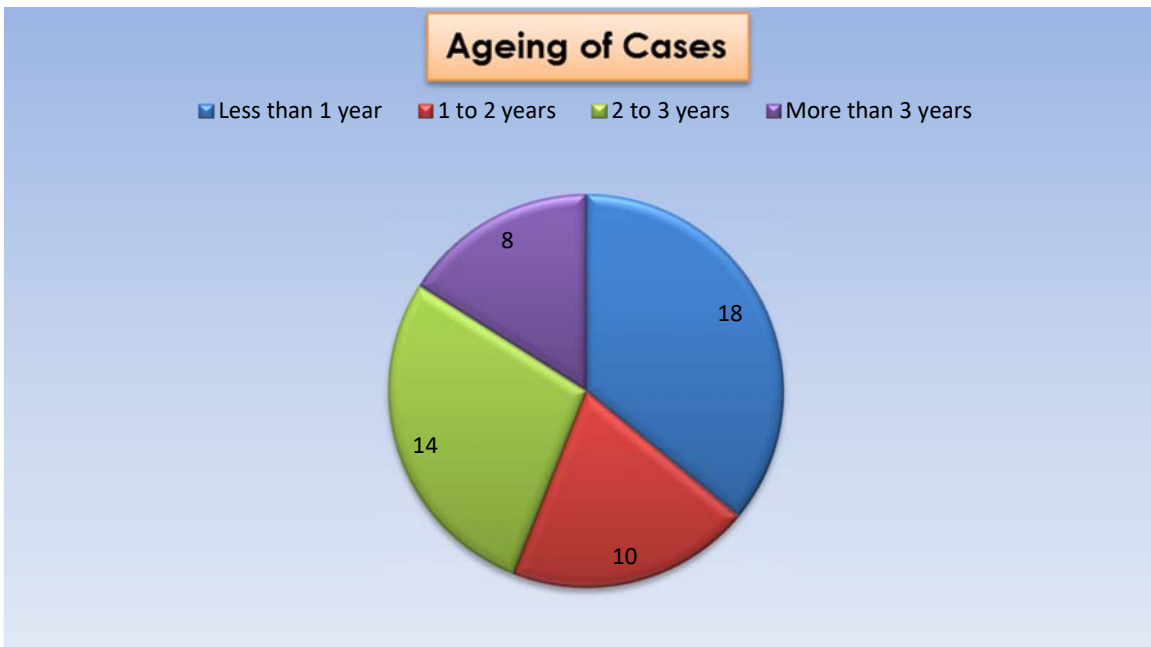


## Graphical Presentation



## Nature of Orders issued by the Council during the year

Nature	No. of cases 2020	No. of cases 2019
Members reprimanded with name	03	04
Members reprimanded without name	03	04
Member warned	01	-
Removal of names from Register of Members	-	04
Cases where members were not held guilty	-	06
<b>Total cases decided by the Council</b>	<b>07</b>	<b>18</b>



DESCRIPTION	<1 Year	1 to 2 Years	2 to 3 Years	>3 years	Total
No. of cases (Note 1)	18	10	14	8	<b>50</b>

Note 1: The above numbers of cases presented do not include the 8 cases held-in-abeyance.

## Nature of Offences / Irregularities

Chartered accountants have a vital role in ensuring public trust in financial reporting and upholding the reputation of the accountancy profession. During the course of the investigation, it has been noted that following nature of irregularities were committed by some practicing members in their professional assignments and accordingly, a need was felt to apprise members about the same so that these instances can be avoided. Reliance on this list would not absolve a practicing member from compliance with all the requirements mandated under various statutes, rules, regulations, directives etc.

### **I. ADVERTISEMENT/SOLICITATION FOR PROFESSIONAL WORK**

It was noted that some practicing members were involved in circulation of emails, advertising professional services and soliciting clients for professional services, which results in the professional misconduct under the provisions of the Chartered Accountants Ordinance, 1961.

### **II. COMMUNICATION WITH THE PREDECESSOR AUDITOR**

It was noted that some practicing member did not communicate with the outgoing auditor before accepting the audit of the financial statements of an entity in order to determine whether there were any professional reasons for not accepting the engagement, which results in the professional misconduct under the provisions of the Chartered Accountants Ordinance, 1961.

### **III. STAMPING ON FINANCIAL STATEMENTS**

A member affixed stamp of his firm on the financial statements which is a violation of Circular No. 4/99 dated June 17, 1999 of the Institute and the relevant International Standards on Auditing (ISA).

### **IV. PROVISION OF CONTRADICTORY AND MISLEADING INFORMATION**

A member initially disowned the audit reports issued by him and thereafter withdrew his earlier stance thereby accepting to have conducted the said audit which was earlier denied. Therefore, the member furnished contradictory and misleading information and did not exercise due care in this regard.

### **V. REVISION OF AUDIT REPORT**

- The audit report was revised without complying with the requirements of the relevant ISA.
- The member did not issue a new audit report on the amended financial statements of the Company as per the requirement of the relevant ISA.

### **VI. ISSUANCE OF AUDIT REPORT ON UNAPPROVED FINANCIAL STATEMENTS**

The member issued the audit report on the unapproved financial statements of the entity resulting in non-compliance with the relevant requirements of the relevant ISA and Companies Ordinance, 1984 (repealed with the enactment of Companies Act, 2017).

## **VII. CERTAIN IRREGULARITIES IN THE AUDIT REPORT**

- Audit report issued by the member was not dated.
- The member did not express opinion on the Cash Flow Statement and the Statement of Changes in Equity in audit report.
- Emphasis of Matter Paragraph was placed before the Opinion Paragraph in the audit report.

## **VIII. RETENTION OF WORKING PAPERS**

The member discarded the working papers relating to the audit assignment conducted by him before the minimum periods prescribed by the Institute i.e. six years from the date of signing of the auditor's report.

## **IX. DISCLOSURE & OTHER DEFICIENCIES**

While conducting the audit assignments, some auditors failed to address the following irregularities in the financial statements of entities;

- 1) The Statement of Changes in Equity was not prepared and annexed with the financial statements of the Company;
- 2) The Cash Flow Statement was not prepared in accordance with the requirements of the Accounting and Financial Reporting Standards (AFRSs) for Medium Sized Entities (MSEs);
- 3) The disclosure relating to the domicile of the entity, its place of incorporation and the address of the registered office (or principal place of business, if different from the registered office) was not provided in the financial statements of the Company;
- 4) The note relating to the Statement of Compliance was not provided in the financial statements;
- 5) The accounting policy in respect of charging depreciation on fixed assets was not in accordance with the requirements of the AFRSs for MSEs and the Circular of the Institute;
- 6) Accounting policies in respect of "Stock in Trade" and "Contract Income" were not appropriately disclosed in the financial statements;
- 7) No explanations were provided in notes to the financial statements in respect of the account balance "Contracts (Work in Progress)" which comprises 41% of the total assets of the Company;
- 8) A running finance facility was availed by the Company, however, it was not identified in the financial statements as to whether such facility was secured or unsecured;

- 9) The Company did not distinguish advances as considered good and/or doubtful or bad;
- 10) The Company did not distinguish bank balances as current and/or deposit account;
- 11) The disclosure relating to the date when the financial statements were approved and who has approved the financial statements were not given in the financial statements;
- 12) The number of shares reported as investment in the financial statements of the Company as comparative figures for the prior year were incorrect; and
- 13) The financial statements contained material restatement in an account balance in the prior year, however, the disclosures required by the AFRSs for MSEs were not provided in the financial statements of the Company.



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