



The Institute of  
Chartered Accountants  
of Pakistan

**CA**  
**PAKISTAN**

# ANNUAL REPORT

INVESTIGATION COMMITTEE

JANUARY TO DECEMBER

**2021**

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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, 2021 to December 31, 2021.

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

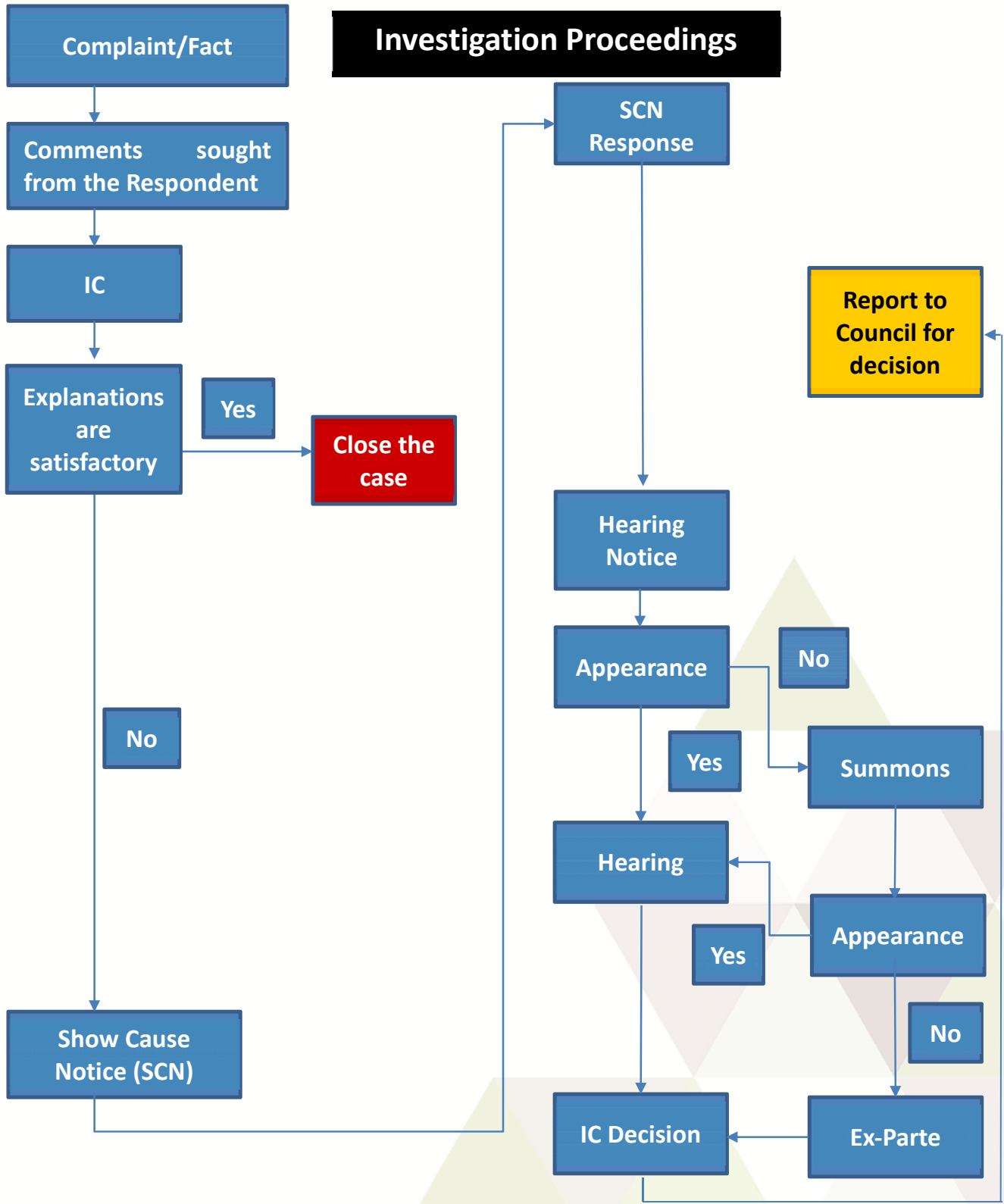
The investigation process is initiated when (i) a complaint is received by the Secretary from any member or an aggrieved person, or (ii) if any facts come to the knowledge of the Secretary of the Institute, then the Secretary is required to place the complaint or the facts before the Investigation Committee, 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





## Composition of the Investigation Committee

From January, 2021 to December, 2021

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, 2021 to December 31, 2021

DESCRIPTION	INVESTIGATION COMMITTEE	COUNCIL	TOTAL
Cases at the beginning of the year	48	10	<b>58</b>
Cases received during the year	64	-	<b>64</b>
Cases referred to the Council	(10)	10	-
Cases disposed off	(20)	-	<b>(20)</b>
Cases decided by the Council	-	(3)	<b>(3)</b>
-Cases under review at the end of the year	<b>80</b>	<b>17</b>	<b>97</b>
-Cases held in abeyance	<b>2</b>	<b>-</b>	<b>2</b>
	<b>82</b>	<b>17</b>	<b>99</b>

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

## Movement of Cases

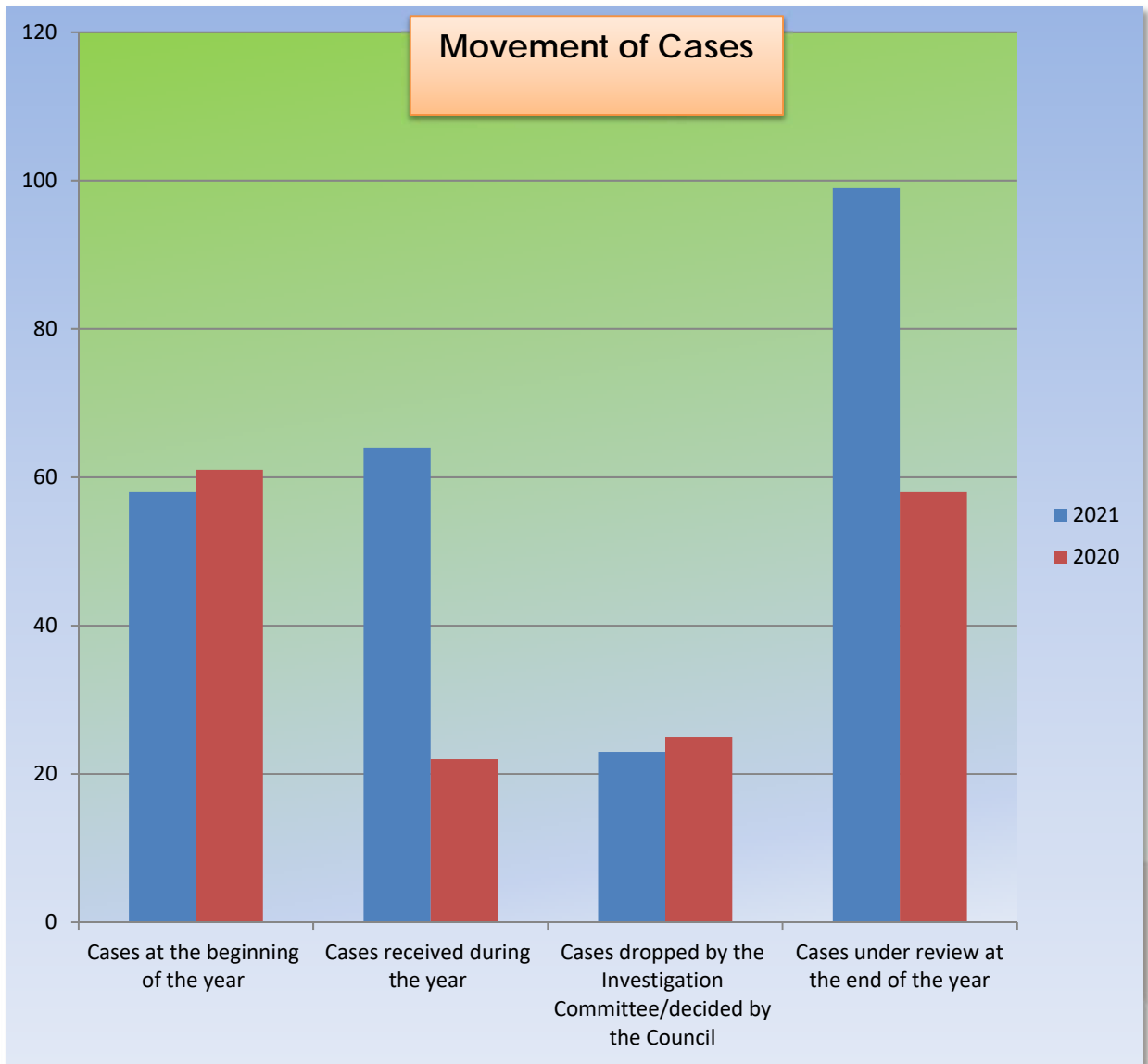
From January 1, 2020 to December 31, 2020

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	<b>40</b>	<b>10</b>	<b>50</b>
-Cases held in abeyance	<b>8</b>	<b>-</b>	<b>8</b>
	<b>48</b>	<b>10</b>	<b>58</b>

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

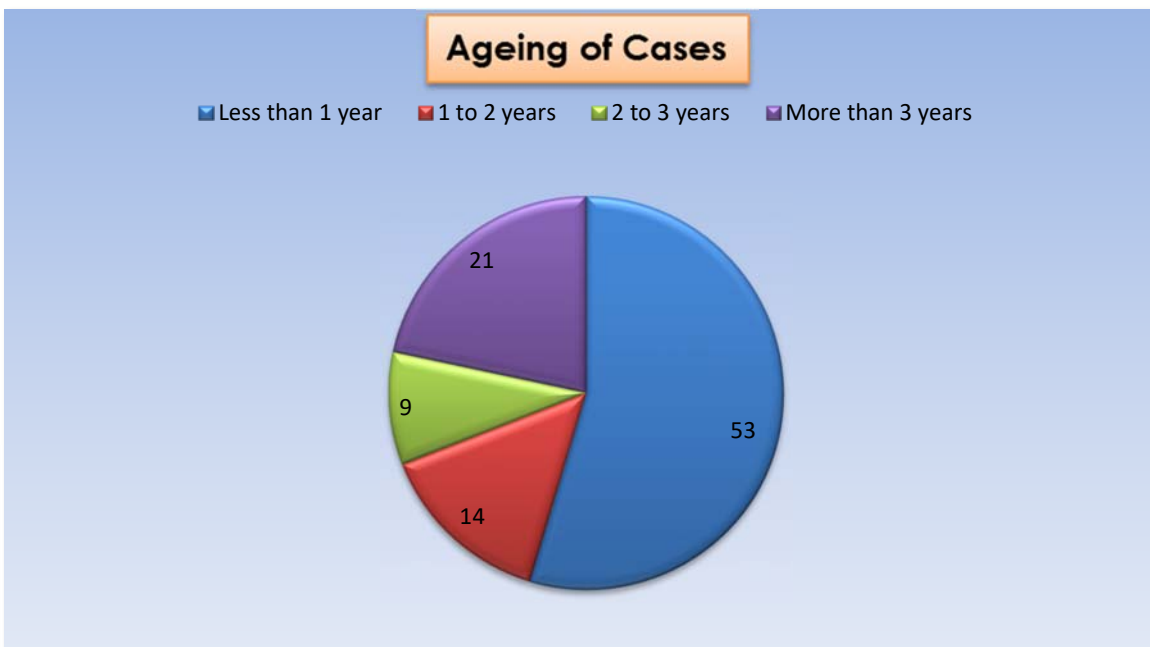


## Graphical Presentation



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

Nature	No. of cases 2021	No. of cases 2020
Member reprimanded with name	01	03
Member reprimanded without name	01	03
Member warned	-	01
Removal of names from Register of Members	-	-
Cases where member was not held guilty	01	-
<b>Total cases decided by the Council</b>	<b>03</b>	<b>07</b>



DESCRIPTION	<1 Year	1 to 2 Years	2 to 3 Years	>3 years	Total
No. of cases (Note 1)	53	14	9	21	<b>97</b>

Note 1: The above numbers of cases presented do not include the 2 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. ENGAGEMENT IN OTHER OCCUPATION**

It was noted that a practicing member was engaged in other occupation (employment) while being a practicing member of the Institute which results in the professional misconduct under the provisions of the Chartered Accountants Ordinance, 1961 and Chartered Accountants Bye-Laws, 1983.

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

- A practicing member submitted that he was associated with the company as financial consultant on contractual terms, however, as per the information received from the company, the member was engaged in full time employment. Therefore, the member furnished contradictory and misleading information.
- The member initially submitted that he had issued only one audit report on the financial statements of the company and subsequently, he admitted that he had issued multiple audit reports on the different sets of financial statements of the company for the same year. Hence, the member provided contradictory and misleading information to the Institute.

### **III. ISSUANCE OF MULTIPLE AUDIT REPORTS ON MULTIPLE SETS OF FINANCIAL STATEMENTS**

The company prepared four sets of financial statements for the same year and the member issued audit reports on those financial statements. All the four sets of financial statements were portraying significantly different financial position and financial performance without any disclosure/explanatory note in any set of financial statements discussing the reason for the amendment of the previously issued financial statements.

### **IV. ISSUANCE OF FINANCIAL STATEMENTS AND DIRECTORS' REPORT ON THE LETTERHEAD OF THE FIRM**

- Financial statements of Non-Profit Organization for the year ended June 30, 2016 were issued on the letterhead of the firm.
- Directors' Report for the year ended June 30, 2016 annexed with the financial statements was issued on the letterhead of the firm.

### **V. INCORRECT INFORMATION ON THE LETTERHEAD OF THE FIRM**

It was mentioned in the letterhead of the member's firm, on which the audit report was issued, that the member is a partner in another firm, whereas he had ceased to

be a partner of such firm. Further, the letterhead contains names of the persons, who are not appearing as partners of his firm as per records of the Institute.

## **VI. DISCLOSURE & OTHER DEFICIENCIES**

While conducting the audit, the auditor failed to address the following irregularities in the audit report:

1. Income Statement was not annexed with the financial statements of the Non-Profit Organization. A Receipt and Payment Account for the period ended December 31, 2016 was annexed which was signed by the Chief Executive Officer;
2. The account balance "Capital Work Completed" appearing in the balance sheet of the Non-Profit Organization indicates completion of the work on assets, however, the amount was not properly classified as "Property, Plant and Equipment" and no depreciation was charged thereon;
3. Note 3 to the financial statements of the Non-Profit Organization was missing;
4. Notes to the financial statements (Fixed Assets) of the Non-Profit Organization did not contain comparative information for the prior period; and
5. The account balance "Accumulated Surplus/Profit" appearing in the balance sheet was not the same as appearing in the Statement of Changes in Equity.



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