



The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN

ANNUAL REPORT

INVESTIGATION COMMITTEE
JANUARY TO DECEMBER
2022

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Preamble

This report provides an overview of the proceedings of the Investigation Committee (IC) of the Institute relating to cases of professional misconduct considered under the provisions of the Chartered Accountants Ordinance, 1961 for the year ended December 31, 2022 and also includes information on cases handled at the Council level.

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.

Message from President

This is my 5th consecutive year of serving our Institute as a Council Member, and this year, I have had the added privilege of heading the Council as the President. We, at ICAP, firmly believe that fair and effective quality assurance and investigation processes are essential to protect the public interest.

The Council and Management of ICAP are fully mindful of our responsibilities of strengthening accounting practices to keep the public trust intact. This year, we diligently worked on two fronts; firstly, we provided regular support to our Members/Students in their capacity building by issuing technical guides and holding regular and practical training sessions, and secondly, we took steps to strengthen the investigation and disciplinary processes.

To expedite the investigation process, a holistic review of the entire process has been carried out and several significant improvements have been made with greater emphasis on the use of technology.

To help speedy disposal of cases, our Investigation Department compiled a complete digital directory of investigation cases from 1961. I monitored and guided the team on this project.

Further, due to the dedicated efforts of the Members of the Investigation Committee (IC), under Mr. Husnain R. Badami, Vice President-ICAP, the IC has, this year, speed up the Investigation Process without compromising on quality and also implemented an online Complaint Form.

As we move forward, we continue to hold high the principles of integrity, fairness and accountability that have been the leading strengths of ICAP.

Thank you,

Ashfaq Yousuf Tola, FCA

Message from Vice President

As the Chairman of the Investigation Committee of the Institute, I am honored to present the Annual Report for the year ended December 31, 2022. It has been a productive, challenging and fulfilling period for both the Investigation Committee and the Council. As a professional, I am cognizant of the value that the designation of chartered accountant holds. Along with this recognition comes a wide range of responsibilities, including our obligation to act in the public's interest.

The primary objective of the Investigation Committee this year was to focus on how to efficiently manage complaints and resolve them in a timely manner, in accordance with the principles of justice. To this end, the Investigation Committee initiated a review of investigation process in the first quarter to identify inefficiencies that delay the fact-finding process. As a result of this exercise and after due deliberations, the Investigation Committee developed an online Complaint Form, which is now accessible on the ICAP's website. This is a major step towards digitizing the investigation process, which will not only eliminate the need for hard copy letters but also decrease the overall resolution time for complaints. In addition to this, we have also taken other concrete steps to significantly reduce the time period for disposal of cases.

The Investigation Committee worked diligently during the year and conducted regular meetings for swift resolution of complaints. During the year, the Investigation Committee disposed of 40 complaints (2021: 20) which is significantly higher than average number of complaints closed in yesteryears. I extend my heartfelt appreciation to the members of the Investigation Committee who have devoted countless hours for each of the meetings, ensuring that fair decisions were reached in every case. I extend a special gratitude to Mr. Farrukh Rehman for his unwavering dedication and committed efforts towards the overall affairs of the Investigation Committee during the year.

As the world continues to change, we will ensure that the Investigation Committee plays a vital role in shaping the future and, most importantly, that the public interest is upheld.

On behalf of the Investigation Committee, it is my pleasure to express our sincere gratitude for the continued trust and confidence placed in us.

Thank you,

Husnain R. Badami, FCA

Introduction of the Investigation Process

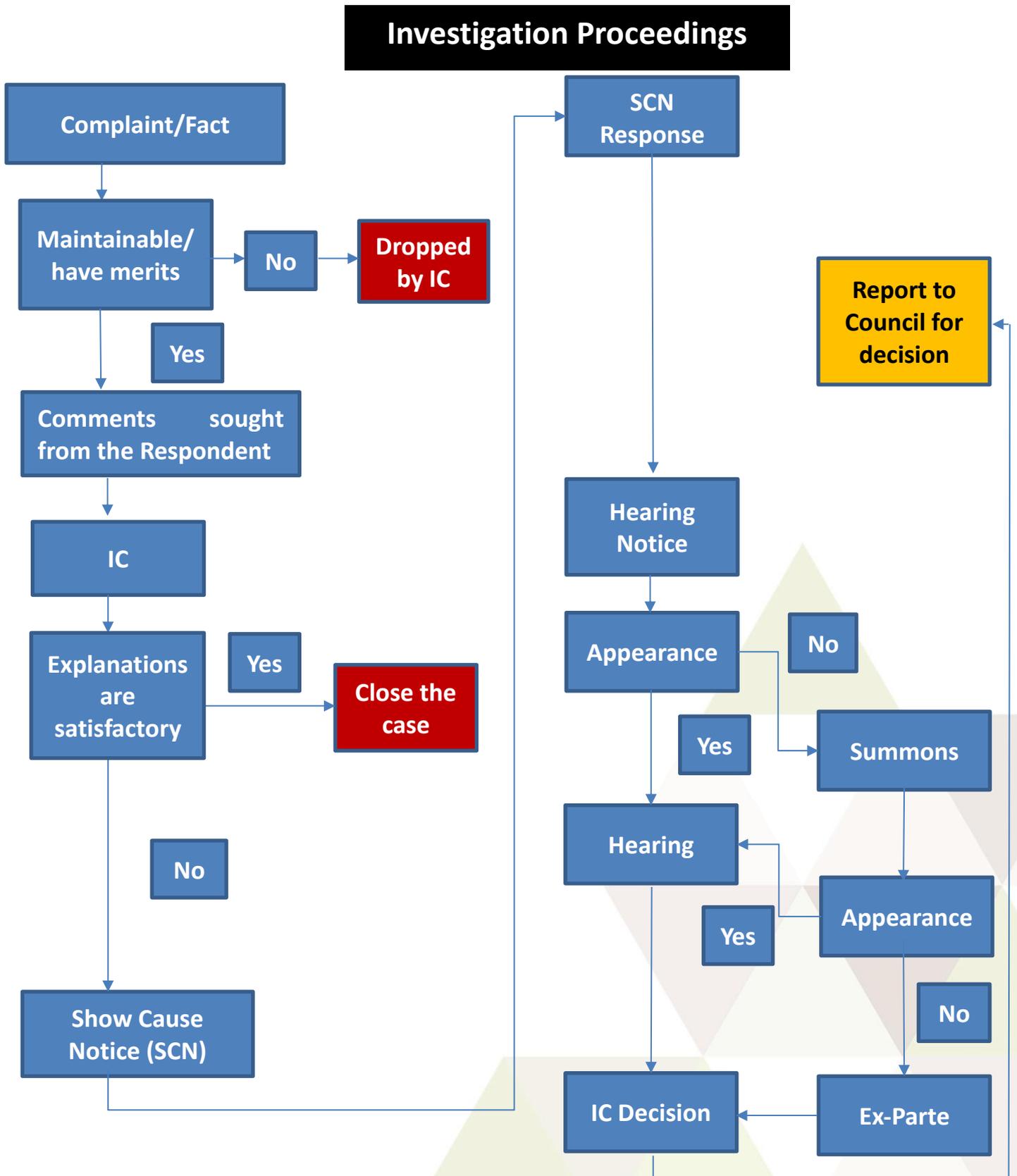
The investigation process is initiated when (i) a complaint is received by the Secretary from any member or an aggrieved person, or (ii) if any facts come to the knowledge of the Secretary of the Institute, then the Secretary is required to place the complaint or the facts before the Investigation Committee,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

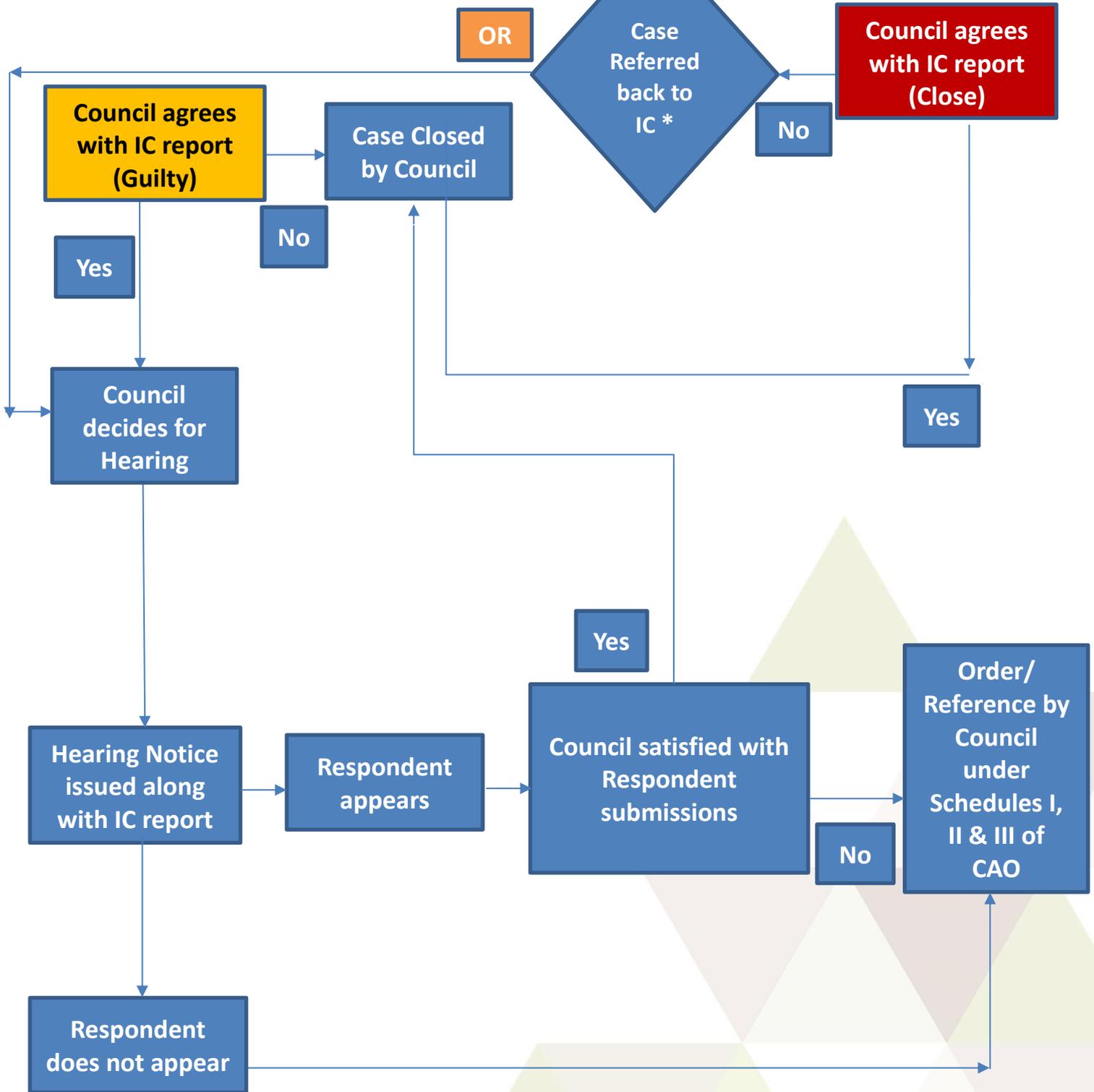
On receipt of the report by the Council, the Council also provides an opportunity to the concerned member/student of being heard, and if the Council is of the opinion that the member or student has been guilty of professional misconduct, it may reprimand/warn, impose penalty, or remove the name of such 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.

Introduction to Complaint Form

In order to ensure that all complaints are managed efficiently and the outcomes are delivered in accordance with the demand for justice, the Institute has developed a 'Complaint Form' on its website. This is a significant step to digitize the Investigation Process which will not only remove the hassle of sending complaints through hard copy letters but will also reduce the overall turnaround time of the resolution of complaints.

Please refer to the web link for lodging complaints through the 'Complaint Form': <https://member.icap.org.pk/complaint-form/>. The complaints will now only be entertained if the same is lodged through the 'Complaint Form'.

Composition of the Investigation Committee

From January 01, 2022 to January 27, 2022

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

From January 28, 2022 to December 31, 2022

Sr. No.	Name of the Members
1.	Mr. Ashfaq Yousuf Tola, FCA *
2.	Mr. Husnain Raza Badami, FCA, Chairman *
3.	Mr. Farrukh Rehman, FCA
4.	Mr. Khalid Rahman, FCA
5.	Mr. Mohammad Maqbool, FCA
6.	Mr. Muhammad Ali Latif, FCA
7.	Mr. Muhammad Danish Noorani, ACA, Independent Member
8.	Mr. Nasimuddin Hyder, FCA, Independent Member
9.	Mr. Shah Naveed Saeed, FCA, Independent Member
10.	Mr. Shahab Sarki, Member

* The President is the Chairman of the Investigation Committee, however, as per tradition, the President usually 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, 2022 to December 31, 2022

DESCRIPTION	INVESTIGATION COMMITTEE	COUNCIL	TOTAL
Cases at the beginning of the year	82	17	99
Cases received during the year	50	-	50
Cases referred to the Council	(16)	16	-
Cases disposed of	(40)	-	(40)
Cases decided by the Council	-	(9)	(9)
-Cases under review at the end of the year	72	24	96
-Cases held in abeyance	1	-	1
-Cases pending due to litigation	3	-	3
	76	24	100

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

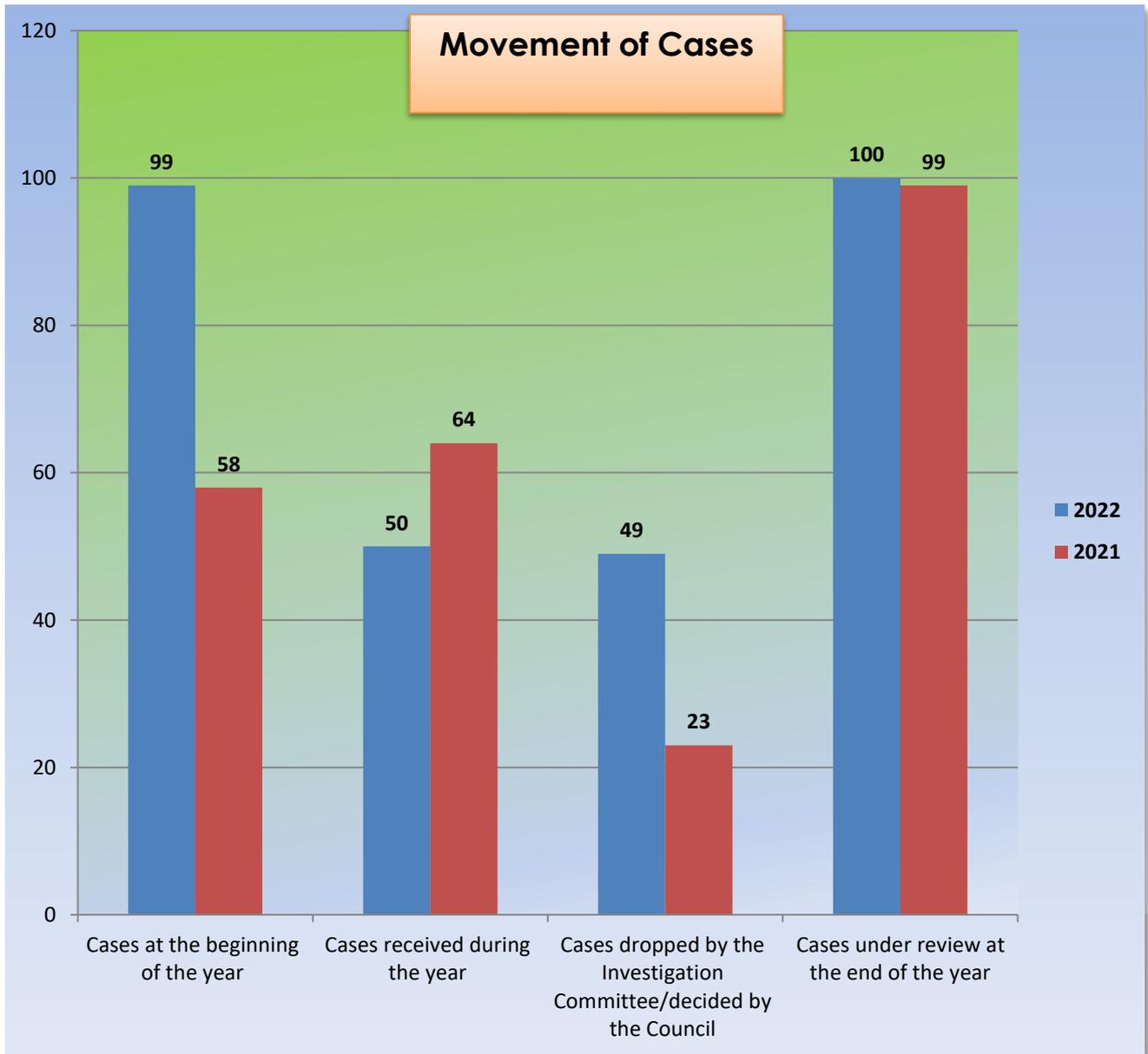
Movement of Cases

From January 1, 2021 to December 31, 2021

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

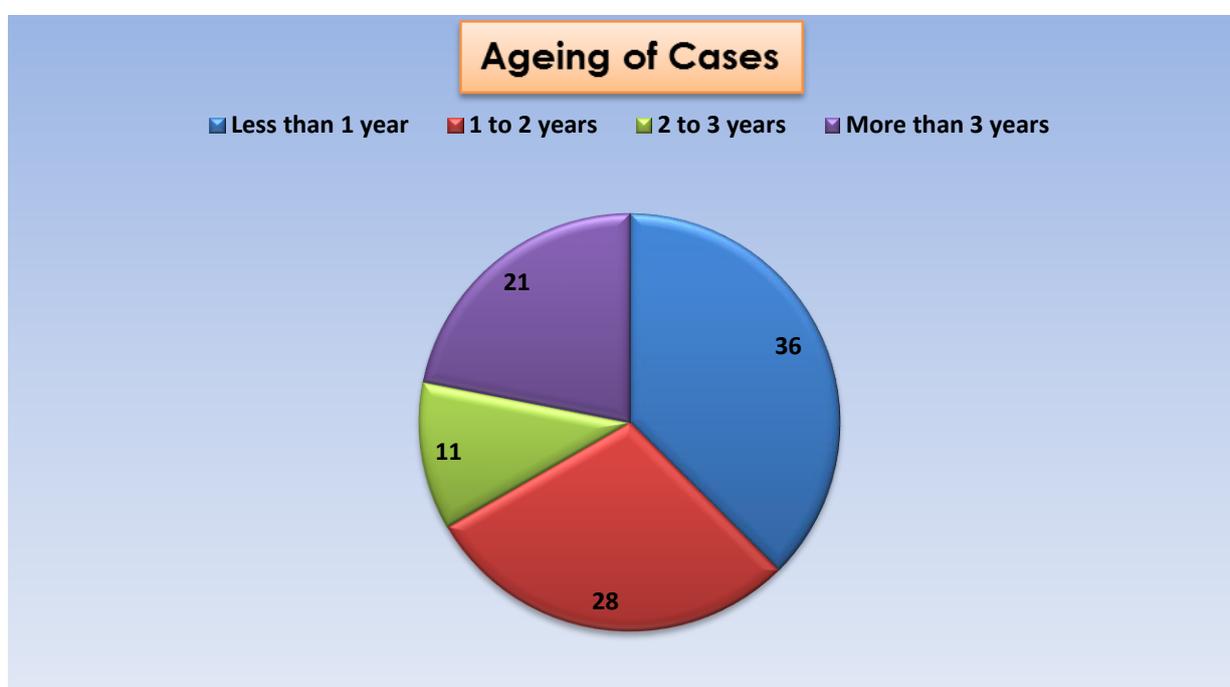
Ten meetings of the Investigation Committee were held during the year.

Graphical Presentation



Nature of Orders issued by the Council during the year

Nature	No. of cases 2022	No. of cases 2021
Member reprimanded with name	01	01
Member reprimanded without name	03	01
Member warned	01	-
Removal of names from Register of Members	01	-
Cases where member was not held guilty	03	01
Total cases decided by the Council	09	03



DESCRIPTION	<1 Year	1 to 2 Years	2 to 3 Years	>3 years	Total
No. of cases (Note 1)	36	28	11	21	96

Note 1: The above numbers of cases presented do not include 1 case which is held-in-abeyance and 3 cases which are pending due to litigation.

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. AUDIT OF LARGE SIZED COMPANIES/PUBLIC INTEREST COMPANY WITHOUT HAVING SATISFACTORY QCR RATING

It was noted that some practicing members of firms conducted the audit of financial statements of large sized companies/public interest company without the firms having satisfactory Quality Control Review (QCR) rating under the QCR Program of the Institute, thus, resulting in violation of the applicable laws and regulations.

II. AUDIT REPORT OF A TRUST

Audit report issued on the financial statements of a Trust was not in accordance with the format as prescribed under the Auditing Technical Release (ATR) – 17 [Auditor's Report to the Trustee/Board of Governors/Management Committee] issued by the Institute.

III. ENGAGEMENT IN OTHER OCCUPATION

It was noted that some practicing members were engaged in other occupation while being practicing members of the Institute which results in the professional misconduct under the provisions of the Chartered Accountants Ordinance, 1961 and Chartered Accountants Bye-Laws, 1983.

IV. ABSENCE FROM OFFICE BY A PRACTICING MEMBER

It was noted that a practicing member remained absent from his office for more than the period allowed in Directive 4.17 [Absence from Office for a Practicing Member] issued by the Institute, thus, resulting in violation of the said Directive.

V. SIGNING OF THE AUDIT REPORT

It was noted that a member allowed unauthorized person(s) to sign audit reports on his behalf resulting in violation of Section 257 of the Companies Ordinance, 1984 (repealed with the enactment of Companies Act, 2017) and Clause (12) of Part 1 of Schedule I of the Chartered Accountants Ordinance, 1961.

VI. ISSUANCE OF AUDIT REPORT ON UNAPPROVED FINANCIAL STATEMENTS

The member issued audit reports on the unapproved financial statements of the Association, thus, resulting in non-compliance with the relevant requirements of ISA 200 (Overall Objectives of the Independent Auditor and the Conduct of an Audit in

accordance with International Standards on Auditing) and ISA 700 (Forming an opinion and Reporting on Financial Statements).

VII. THREAT TO INDEPENDENCE AND OBJECTIVITY

The member entered into a tenancy agreement with the Association on behalf of Society as the Society's President during the period when he was the auditor of the Association, thus, resulting in non-compliance with the relevant requirements of the Code of Ethics for Chartered Accountants.

VIII. FAILURE TO EXERCISE DUE CARE AND ACT DILIGENTLY

The member failed to behave professionally as he was the Managing Editor of the newspaper in which a news was published that the Association got its audit done based on fake information, whereas he was the auditor of the aforesaid Association.

IX. DISCLOSURE & OTHER DEFICIENCIES

While conducting the audit, the auditors failed to address the following irregularities in the audit reports:

1. The amount of Income from rent, rent received and rent receivable were not correctly recorded in the financial statements resulting in non-compliance with the relevant requirements of ISA 705 (Modification to the opinion in the Independent Auditor's Report).
2. The Company failed to provide disclosure regarding the fact that the Company did not possess a registered legal right over the shops with the authority which were appearing in the financial statements of the Company under the classification of 'Intangibles', thus, resulting in violation of Paragraph 6 of the Fifth Schedule to the Companies Ordinance, 1984 (repealed with the enactment of Companies Act, 2017).
3. The Company failed to provide disclosure regarding related party transactions in the financial statements, thus, resulting in non-compliance of the relevant requirements of IAS 24 (Related Party Disclosures).



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