



**The Institute of
Chartered Accountants
of Pakistan**

HEAD OFFICE

CA/QAD/Circular-01/2012

March 29, 2012

ALL MEMBERS OF THE INSTITUTE

**APPOINTMENT OF QCR RATED CHARTERED ACCOUNTANTS FIRMS AS
STATUTORY AUDITORS FOR ECONOMICALLY SIGNIFICANT COMPANIES**

Dear Member,

In 2002 the Securities and Exchange Commission of Pakistan (SECP) issued Code of Corporate Governance and introduced the following requirement in the listing regulations of the stock exchanges with regard to QCR:

"No listed company shall appoint as external auditors a firm of auditors which has not been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan."

The scope of QCR Programme has been further extended by SECP vide its SRO 268(I)/2012 dated March 16, 2012 (copy enclosed). Now all non-listed companies, falling under the definition of 'Economically Significant Companies' (ESC) would also be required to appoint QCR rated firms as their statutory external auditors. The requirement of this directive shall be effective from the financial year beginning on or after July 01, 2012.

ESC has been defined in the Fifth Schedule to the Companies Ordinance, 1984 as follows:

"Economically significant company means a company which has:

- (a) turnover in excess of Rs. 1 billion, excluding other income;*
- (b) number of employees in excess of 750;*
- (c) total borrowings (excluding trade creditors and accrued liabilities) in excess of Rs. 500 million;*

Provided that in order to be treated as economically significant any two of the criterion mentioned in (a), (b) and (c) above have to be met. The criteria followed will be based on the previous year's audited financial statements. Companies can be excluded from this category where they do not fall under the aforementioned criteria for two consecutive years."

All those firms whose names are not in the "List of Satisfactory QCR Ratings" and would like to carry out audit of ESC after July 01, 2012 are advised to offer themselves for QCR in order to be eligible for the appointment of the ESC.

Shahid Hussain, FCA
Director Quality Assurance

(Established under the Chartered Accountants Ordinance, 1961-X of 1961)


SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, March 16, 2012

NOTIFICATION

S.R.O. 268 (I)/2012.- In exercise of powers conferred under section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), read with section 506B of the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan is pleased to direct all non-listed companies, falling under the definition of 'economically significant companies' in terms of clause (iii) of para 2 of Part-I of the Fifth Schedule to the said Ordinance, to appoint as its statutory external auditors out of the firms of Chartered Accountants which hold satisfactory rating under the 'Quality Control Review Program' of the Institute of Chartered Accountants of Pakistan. The requirement of this directive shall be effective from the financial year beginning on or after July 1, 2012.

F. No. EMD/D-II/QCR/07/11-507


(Abdul Rehman Qureshi)
Advisor/Secretary