

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement & Monitoring division
7th, NIC Building, Jinnah Avenue, Blue Area, Islamabad

Before Rashid Sadiq, Executive Director

In the matter of
M/s. Amin, Mudassar & Co., Chartered Accountants

Number and date of show cause notice	No.258/24/CMA/2002 dated February 01, 2002
Date of hearing	May 20, 2002
Present	Mr. Muhammad Amin, FCA

Order

This is a case of late submission of the cost audit report of M/S D.G. Khan Cement Company Limited (the “Company”) by the cost auditors namely M/S Amin Mudassar & Co., Chartered Accountants.

2. The relevant facts for the disposal of this case are that in terms of provisions of Sub-rule (2) of Rule 3 of the Companies (Audit of Cost Accounts) Rules, 1998 (the Rules), approval for appointment of M/S Amin, Mudassar & Co., Chartered Accountants as cost auditors of the Company for the year ended June 30, 2001 was given by this Commission on August 06, 2001. Accordingly, the cost auditors were required to furnish his report to the Commission within sixty days of his appointment i.e. by October 05, 2001 as per Sub-rule (3)

of Rule 4 of the Rules. The cost auditors submitted their report to the Commission on November 05, 2001 i.e. with a delay of thirty days.

3. Consequently, a notice dated February 01, 2002 was served upon the cost auditor to show cause as to why fine may not be imposed for late submission of their report. The show cause notice was responded by the cost auditors vide letter dated February 18, 2002. In order to provide an opportunity of personal hearing, the case was fixed on May 20, 2002. Mr. Muhammad Amin appeared on the date of hearing and argued the case.

4. In the written submissions as well at the time of hearing, it was contended that the staff of the Company was busy with the statutory auditors for the statutory audit of the accounts of the Company for the year ended June 30, 2001. Moreover, the record of the Company was also under examination of the statutory auditors. The cost audit, therefore, could not be completed in time. It was also stated that the delay in the commencement of the cost audit was also brought to the notice of the Company. To substantiate his contention, Mr. Muhammad Amin also placed on record copies of some letters written to the Company for early commencement of cost audit. He also pleaded that annual accounts are required to be presented to the shareholders within six months following the close of the financial year of a company whereas the cost accounts are required to be submitted within four months, which disclose the profitability of a company earlier than the release of its financial accounts.

5. I have carefully considered the arguments advanced by Mr. Muhamamd Amin, FCA who has been unable to get books from the Company in time for the performance of the statutory duties imposed on him. He has not brought this delay to the notice of the Commission. As regard to the early submission of cost accounts than financial accounts, this issue stands resolved for the listed companies through a recent amendment in the listing regulations of Karachi Stock Exchange. The listed companies are now required to present

their accounts before the shareholders in the Annual General Meetings, which must be held within four months of the close of the year of their accounts.

6. Before deciding this case, it is necessary for me to look at the past history of compliance by the cost auditor. In this regard, it has unfortunately been noticed that in the previous three years, the cost audit reports were not submitted timely. No fine, however, was imposed previously and only warning was given with advise to observe strict compliance of law. Mr. Muhamamd Amin has also undertaken to ensure strict compliance of law in future through his letter dated April 13, 2000. The persistent failure of the cost auditor to adhere to the Rules is a cause of concern for the Commission. This is a serious matter, which cannot be encouraged.

7. In view of the aforesaid discussion, and after considering the relevant facts and circumstances of this case, it is clear that provisions of sub-rule (3) of rule 4 of the Rules were violated by the cost auditor. During the course of hearing, however, Mr. Muhammad Amin has sufficiently demonstrated to me that the cost auditors have made reasonable efforts for timely taking up the cost audit of the Company to avoid any breach of the Rules. The reasons given by him carry some force. I am, therefore, inclined to give him another chance to observe the compliance in future. I hope that the cost auditors will react honestly and reasonably. In conclusion, I impose no fine for the aforesaid default. I impress upon the cost auditors to please ensure strict observance of the provisions of the Ordinance, rules and regulations in future. In case of non-compliance, they will face difficulty in getting a similar leniency in future.

8. A copy of this Order shall also be sent to the Company with advise to ensure timely availability of the books to the cost auditor when they will next visit the Company for cost audit.

Rashid Sadiq

Executive Director (Enforcement & Monitoring)

Announced
June 11, 2002
ISLAMABAD