



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

In the matter of

Amtex Limited

Number and Date of SCN: No.CSD/ARN/256/2016-540
dated October 29, 2024

Date(s) of Hearing(s): (i) December 18, 2024; and
(ii) December 27, 2024.

Present: Mr. Abdul Rauf Ghani (General Manager Finance)
as the Authorized Representative

Under Regulation 33(2) of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Regulation 32(2) of the Listed Companies (Code Of Corporate Governance) Regulations, 2019 read with Regulation 41, Regulation 37 of these Regulations respectively and Section 512 of the Companies Act, 2017

(ORDER)

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (**the Commission**) against the Board of Directors (**BoDs**) of Amtex Limited (**the Respondents**) through Show Cause Notice No. CSD/ARN/256/2016-540 dated October 29, 2024 (**the SCN**) issued under Regulation 33(2) of the Listed Companies (Code Of Corporate Governance) Regulations, 2017 (**the CCG Regulations, 2017**) read with Regulation 41 thereof and Regulation 32(2) of the Listed Companies (Code Of Corporate Governance) Regulations, 2019 (**the CCG Regulations, 2019**) read with Regulation 37 thereof; and Section 512 of the Companies Act, 2017 (**the Act**).

2. The brief facts of the case are that examination of Amtex Limited's (**the Company**) compliance with the CCG Regulations, 2017 in respect of audit for financial year 2018, revealed that M/s. Zahid Jamil & Co. conducted the statutory audits of the Company for the periods detailed in the table below:

Financial Year	Statutory Auditor	Engagement Partner
2020	Zahid Jamil & Co.	Muhammad Amin (FCA)
2019	Zahid Jamil & Co.	Muhammad Amin (FCA)
2018	Zahid Jamil & Co.	Muhammad Amin (FCA)
2017	Zahid Jamil & Co.	Suleman Zahid Jamil
2016	Zahid Jamil & Co.	Muhammad Amin (FCA)
2015	Zahid Jamil & Co.	Muhammad Amin (FCA)
2014	Zahid Jamil & Co.	Muhammad Amin (FCA)
2013	Zahid Jamil & Co.	Muhammad Amin (FCA)
2012	Zahid Jamil & Co.	Muhammad Amin (FCA)

3. Mr. Muhammad Amin (FCA) served as the engagement partner for these audits for the Financial Year ended June 30, 2012 till Financial Year ended June 30, 2016 as indicated in the auditors' reports. Thereafter, Mr. Muhammad Amin resumed his role as the engagement partner after the lapse of only one year, for the audit of the Financial Year ended June 30, 2018, without complying with the mandatory two-year cooling-off period required by code 290.149 of the Code of Ethics, 2015 (**the COE**), as adopted by the Institute of Chartered Accountants of Pakistan (**ICAP**). This constituted, *prima facie*, a violation of the requirements outlined in the COE, Regulation 33(2) of the CCG Regulations, 2017 and Regulation 32(2) of the CCG Regulations, 2019.

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4. In order to probe the matter clarification was sought vide email dated August 12, 2024 to which the Auditors of the Company responded by email on September 05, 2024. It was explained that Mr. Muhammad Amin had performed the audits for the years ended June 30, 2012 to 2016 and was subsequently replaced by another engagement partner, i.e., Mr. Suleman Zahid Jamil. They further stated that this rotation was in accordance with the CCG Regulations and noted that the cooling-off period requirement is specified in the Code of Ethics, 2015.

5. In order to understand the requirements which are mandatory in nature, it is necessary to quote in relevant provisions:

"Regulation 33(2) of the CCG Regulations, 2017

No company shall appoint as external auditors, a firm of auditors which or a partner of which is non-compliant with the International Federation of Accountants' Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.

Regulation 32(2) of the CCG Regulations, 2019

It is mandatory that no company shall appoint as external auditors, a firm of auditors which or a partner of which is non-compliant with the International Federation of Accountants' Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.

Code 290.149 of the COE

In respect of an audit of a public interest entity, an individual shall not be a key audit partner for more than seven years unless the law prescribes a shorter period in which case the requirement of the law shall prevail for such specific entities. After such time, the individual shall not be a member of the engagement team or be a key audit partner for the client for two years."

6. As the mandatory requirements of regulations have not been complied with, a SCN was issued to the Respondents and in response, the Company Secretary of the Company vide letter dated November 11, 2024 filed a written response to the SCN, *inter alia*, stating the following:

- (i) We hereby submit that the Code of Corporate Governance requires rotation of the engagement partners of external auditor after every five years, which was duly complied in financial year 2017.
- (ii) As regards, non-compliance with International Federation of Accounts' Guidelines on Code of Ethics, as adopted by the ICAP, on part of our external auditors, these guidelines were not directly applicable on us.

7. In order to provide the Respondents an opportunity of personal representation in the matter, hearing was fixed for December 18, 2024, however, the Company vide letter dated December 17, 2024 sought adjournment which was allowed and another hearing was fixed for December 27, 2024, wherein Mr. Abdul Rauf Ghani, General Manager Finance of the Company, appeared as the Authorized Representative (**the Authorized Representative**) on behalf of the Respondents. The Authorized Representative explained that the Respondents were unaware of the specific legal requirements and initially believed that the responsibility rested with the auditor, who had assured them of compliance at the time of appointment. The Authorized Representative, however, admitted the violation of the law and assured that the Respondents would take the necessary measures to ensure compliance with legal requirements in the future. He further requested for a lenient view in the instant matter.

8. I have considered the facts of the case based on the submitted replies and verbal submissions made during the hearing, relevant provisions of the CCG Regulations, 2017 and the CCG Regulations, 2019, and available record with this office on the case at hand. At this juncture, it is imperative to discuss the following legal and factual elements:

- (i) The Respondents contended that they have complied with the provisions of the CCG Regulations, 2017, specifically with respect to the rotation of engagement partners for external auditors, which were duly implemented in the Financial Year 2017. Further, they

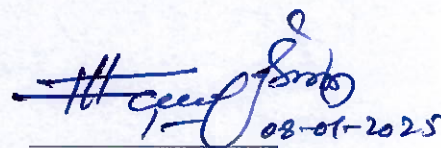
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argued that the non-compliance with the International Federation of Accountants' Guidelines on the Code of Ethics, as adopted by ICAP, pertains to the external auditors and that these guidelines were not directly applicable to them. The Respondents' stance is not justifiable as members of the BoD of the Company cannot absolve themselves from their fiduciary duty of nominating such external auditor who are fully compliant with the regulatory framework. Further, Mr. Muhammad Amin resumed his role as the engagement partner for the audit of the year ended June 30, 2018, only one year after his previous tenure, thereby failing to comply with the mandatory two-year cooling-off period prescribed by Code 290.149 of the COE, as adopted by the ICAP. This constitutes a violation of the requirements under the COE, the Regulation 33(2) of the CCG Regulations, 2017 as well as the relevant provisions of the CCG Regulations, 2019 for the respective periods.

- (ii) Furthermore, the submission that the Respondents were unaware of the specific legal requirements is untenable. Entities operating within a regulated framework bear the responsibility to understand and comply with all applicable laws, regulations, and codes governing their operations. The CCG Regulations, 2017 and its subsequent evolution into the CCG Regulations, 2019 explicitly mandate the rotation of engagement partners after five years along with a two-year cooling-off period as per Code 290.149 of the COE. These provisions are clear and ignorance of such obligations does not exempt the Respondents from their responsibility.
- (iii) Moreover, during the arguments presented in the hearing, the Representative realized and admitted the violation of the law. The Representative further explained that M/s. Zahid Jamil & Co. continues to serve as the Company's auditors with Mr. Adeel Anwar replacing Mr. Muhammad Amin as the engagement partner since 2021 which has been duly corroborated by the Company's financial statements for the year ended June 30, 2021 and the Company's financial statements for the year ended June 30, 2024.

9. In light of the foregoing, the contraventions of the requirements outlined in the COE, Regulation 33(2) of the CCG Regulations, 2017 read with Regulation 41 thereof and Regulation 32(2) of the CCG Regulations, 2019 read with Regulation 37 thereof have been duly established. However, considering the fact that the Respondents have rectified the non-compliance for the financial year ended June 30, 2021, the assurance provided by the Representative on behalf of the Respondents for exercising greater vigilance for adhering to legal requirements in the future and recognizing the Company's compliance history, a lenient approach is warranted. Accordingly, I in exercise of the powers conferred under Section 512(2) of the Companies Act, 2017 read with S.R.O. 1545(I)/2019 dated December 6, 2019 conclude these proceedings with a Warning to the Respondents. The Respondents are also advised to ensure meticulous compliance with all applicable laws henceforth.

10. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondents in accordance with the applicable law(s) on matters subsequently investigated or brought to the attention of the Commission.



Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
January 08, 2025
Islamabad.

