



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s. Olympia Mills Limited
Show Cause Notice No. & Date:	No. CSD/ARN/166/2002-256 dated November 05, 2024
Respondents:	(i) Syed Inamuddin Ahmed, Chairman; (ii) Mr. M. Waqar Monnoo, Chief Executive; (iii) Mr. Siraj Sadiq Monnoo, Director; (iv) Mrs. Ghazala Waqar, Director; (v) Mr. Umar Ilyas Shafi, Director; (vi) Mr. Arshad Iqbal, Director; (vii) Syed Ayazuddin, Director; and (viii) Olympia Mills Limited.
Date(s) of Hearing(s):	December 13, 2024
Case Represented by:	(i) Mr. Muhammad Sarfraz; and (ii) Mr. Asim Jaffery
Provision of law involved:	Regulation 33(2), 34(2) and 41 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Section 512(2) of the Companies Act, 2017
Order dated:	March 24, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the **Commission**) against **M/s. Olympia Mills Limited (the Company)** and its Board of Directors (hereinafter collectively referred to as "**the Respondents**") through Show Cause Notice No. CSD/ARN/166/2002-256 dated November 05, 2024 (the **SCN**) issued under Regulations 33(2), 34(2) read with 41 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the **CCG Regulations, 2017**).

2. The brief facts of the case are that examination of the Company's annual reports for the relevant financial years of 2013 till 2019 and its compliance with the CCG Regulations, 2017 revealed that M/s. Mushtaq & Co., Chartered Accountants (the **Audit Firm/Auditors**) were appointed as the statutory auditor of the Company in respect of the financial year ended June 30, 2013 (FY 2013) till June 30, 2019 (FY 2019) consecutively. The details of such appointments along with the engagement partners for the respective year are tabulated below for ready reference:

Year ended	Statutory Auditor	Engagement Partner
FY 2019	Mushtaq & Co.	Mr. Mushtaq Ahmad Vohra
FY 2018	Mushtaq & Co.	Mr. Anwar Ul Haque
FY 2017	Mushtaq & Co.	Mr. Mushtaq Ahmad Vohra
FY 2016	Mushtaq & Co.	Mr. Mushtaq Ahmad Vohra
FY 2015	Mushtaq & Co.	Mr. Mushtaq Ahmad Vohra
FY 2014	Mushtaq & Co.	Mr. Mushtaq Ahmad Vohra
FY 2013	Mushtaq & Co.	Mr. Mushtaq Ahmad Vohra

3. It is evident from the above table and review of the auditors' report for the respective years that Mr. Mushtaq Ahmad Vohra served as engagement partner for the audits of the annual accounts for FY 2013 till FY 2017 i.e. five (5) consecutive years. Thereafter, Mr. Mushtaq Ahmad Vohra resumed the role as the engagement partner for audit of the annual accounts for FY 2019, i.e. thereby, failing to comply with the mandatory requirement of two years cooling-off period as required by code 290.149

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of the Code of Ethics, 2015 (the COE), as duly adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

4. In order to probe the matter, a clarification was sought from the Respondents vide email dated September 19, 2024. The Company vide email dated September 20, 2024 replied by, *inter alia*, stating that the matter was referred to the Audit Firm for seeking its comments. The Audit Firm has informed that the said matter has been adjudicated by the Audit Oversight Board (AOB) by penalizing the Audit Firm. As per the reply of the Company, the Audit Firm challenged the said Order of the AOB before the Hon'ble Islamabad High Court, who has suspended operation of the impugned Order of the AOB and the case is currently pending adjudication. It was further stated that the engagement partner of the Audit Firm in the instant matter i.e. Mr. Mushtaq Ahmed Vohra passed away on August 10, 2023.

5. In order to develop a clear understanding of the requirements and mandatory nature of the CCG Regulations, 2017 and the CCG Regulations, 2019 in context of the COE; the relevant provisions are reproduced below:

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."

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 34(2) of the CCG Regulations, 2017:

All listed companies other than those in the financial sector shall, at the minimum, rotate the engagement partner after every five years.

Regulation 41 of the CCG Regulations, 2017:

Penalty for contravention of Regulations: Whoever fails or refused to comply with, or contravenes any requirements of the Regulations, knowingly or willfully authorizes or permits such failure, refusal or contravention, in addition to any other liability under the Act, be punishable with penalty and in case of continuing failure, to a further penalty as provided under sub-section (2) of section 512 of the Act.

Regulation 32(2) of the CCG Regulations, 2019 (Pari-Materia to Regulation 33(2) of the CCG Regulations, 2017)

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.

Regulation 37 of the CCG Regulations, 2019 (Pari-Materia to Regulation 41 of the CCG Regulations, 2017)

Whoever fails or refused to comply with, or contravenes regulation 3, 6, 7, 8, 27, 32, 33 and 36 of these Regulations, shall be punishable with penalty as provided under sub-section (2) of section 512 of the Act.

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6. Taking cognizance in the instant matter, the SCN dated November 05, 2024 was served on the Respondents. In response, the Company vide letter dated December 2, 2024 submitted a written response to the SCN, *inter alia*, stating the following:

- (i) The Company appointed Mushtaq & Co. Chartered Accountants for audit of accounts for FY 2019 in accordance with the requirements of the Companies Act, 2017 and the CCG Regulations, 2017.
- (ii) The concerns raised by the Commission regarding signing of Auditors' Report for FY 2019 pertain to the internal policies of the Audit Firm and the Company does not have control over those policies.
- (iii) The Audit Firm has informed that the matter has already been taken up by the AOB, who passed an Order imposing penalty on the Audit Firm.
- (iv) The Audit Firm challenged the said Order of the AOB before the Hon'ble Islamabad High Court, who has suspended operation of the impugned Order of the AOB and the case is currently pending adjudication.
- (v) Mr. Mushatq Ahmad Vohra, engagement partner, passed away on August 10, 2023.

7. In order to provide the Respondents an opportunity of personal representation, hearing in the matter was fixed for December 13, 2024. The hearing was attended by Mr. Muhammad Sarfraz and Mr. Asim Jaffery as the Authorized Representatives of the Respondents (**the Authorised Representatives**). During the course of hearing, the Authorised Representatives were advised to explain the reasons for alleged non-compliances as narrated in the SCN. The Authorised Representatives reiterated the submissions and arguments made in the written reply. They were advised to submit further arguments in the matter, if any, latest by December 18, 2024.

8. Subsequent to the hearing, Mr. Muhammad Sarfraz, Authorised Representative vide letter dated December 13, 2024 (received on December 18, 2024) made further submissions in the matter, which are summarized as under:

- i) The instant SCN was issued to the Respondents based upon the findings of AOB's Order dated May 13, 2024.
- ii) The said Order of AOB was challenged before the Hon'ble Islamabad High Court, who has suspended operation of the said Order and the matter of the said Appeal is *sub-judice*.
- iii) The Company rotated the engagement partner of the Audit Firm in respect of audit of accounts for FY 2018.
- iv) The COE is applicable on ICAP; therefore, the Respondent did not violate Regulation 33(2) and 34(2) of the CCG Regulations, 2017.
- v) Alleged violation is being counted from June 30, 2013 i.e. prior to coming into effect of the CCG Regulations, 2017 and COE. There is no such provision in the CCG Regulations, 2017 and COE which allows their retrospective effect.

9. I have examined the facts of the case in light of the applicable provisions of the law and considered the written as well as verbal submissions and arguments of the Respondents and their Authorised Representatives and observed as under:

- (i) The Respondents have contended that they have complied with the provisions of the CCG Regulations, 2017, with respect to the rotation of engagement partner of the statutory auditors for audit of the annual accounts of the Company for FY 2018. They further argued that the identified non-compliance with the COE pertains to the statutory auditor as the COE is not applicable to the Respondents. In this regard, it is observed that being members of the Board of the Company, the Respondents are responsible for discharging certain statutory obligations which include that an auditor who is eligible

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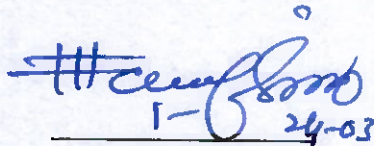
for appointment in terms of the COE after duly assessing intrinsic eligibility of the engagement partner, is nominated for appointment as the statutory auditor. However, in the instant case, Mr. Mushtaq Ahmad Vohra resumed his role as the engagement partner for the audit of the annual account of the Company for FY 2019, without complying with the mandatory requirement of two-years cooling-off period under code 290.149 of the COE. Regulation 33(2) of the CCG Regulations, 2017 requires that no company shall appoint as statutory auditors, a firm of auditors which or a partner of which is non-compliant with the COE. Therefore, the Respondents cannot absolve themselves of their statutory obligations; hence, their stance that the COE is not applicable on them is not sustainable. In view of the foregoing, the Respondents have contravened the requirements of Regulation 33(2) of the CCG Regulations, 2017, with regard to appointment of non-compliant auditor for FY 2019.

- (ii) The Respondents are of the view that they should not be held liable for any violations committed by the Auditors or their engagement partner. It was further added that the concerns raised by the Commission regarding issuance of Auditors' Report for FY 2019 pertain to the internal policies of the Audit Firm and the Company does not have control over those policies. The foregoing submissions of the Respondents are based upon the misinterpretation of the law and tantamount to transferring their obligations to the statutory auditor they appointed. Regulation 33(2) of the CCG Regulations, 2017 prevents the Company from appointing a firm or its partner as statutory auditor which is non-complaint with the COE. Therefore, the Respondents, being the members of the Board of the Company were required to appoint an audit firm as its statutory auditor for FY 2019, which is compliant with the COE. This statutory obligation cannot be disregarded by the Board, who is ultimately accountable for the integrity of the company's financial reporting and compliance with regulatory framework.
- (iii) Since Mr. Mushtaq Ahmed Vohra, did not fulfill the requirement of two (2) years cooling-off period, he has been non-compliant with the COE and could not be appointed as statutory auditor of the Company for FY 2019 pursuant to the provisions of Regulation 33(2). However, the Respondents have contravened the requirement of Regulation 33(2) of the CCG Regulations, 2017 by appointing him as the statutory auditor for audit of accounts of the Company for FY 2019.
- (iv) The Respondents have contended that the matter has already been taken up by AOB, who passed an Order imposing penalty on the Audit Firm. The Audit Firm being aggrieved challenged the said Order of the AOB before the Hon'ble Islamabad High Court, who has suspended operation of the impugned Order of the AOB. It has been further stated that the matter of the said Appeal is *sub-judice*. In this regard, it may be noted that the instant proceedings have been initiated against the Company as well as its Board, rather than against the statutory auditor, on account of their failure in discharging their obligations in terms of the CCG Regulations, 2017. Therefore, *sub-judice* status of the case filed by the Audit Firm does not injure the proceedings in the instant matter.
- (v) As regards the contention of the Respondents that contravention is being counted from June 30, 2013 i.e. prior to coming into effect of the CCG Regulations, 2017 and COE but there is no such provision in the CCG Regulations, 2017 and COE which allows retrospective application of the identified provisions of the law. In this regard, it may be noted that the contravention was not made due to appointment of statutory auditor of the Company for FY 2013, rather the contravention was committed when the Respondents appointed a non-compliant auditor as its statutory auditor for audit of the accounts of the Company for FY 2019. It must be noted that both CCG Regulations,

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2017 and 2019 offer consistent and continuing principles of auditor's independence by ensuring the rotation of the engagement partner after the lapse of five (05) years which is then followed by a minimum cooling-off period of two (02) years as prescribed by the COE. Such compliance shall be achieved by the Company at the time of each appointment of the auditors, i.e., adhering to the provisions of the law at the time of their application, which in the instant matter, was when the Audit Firm was being appointed for the year 2019. Therefore, the question of retrospective compliance does not arise in the instant matter.

10. In view of the above, the contravention of the requirements outlined in Regulation 33(2) read with Regulation 34(2) of the CCG Regulations, 2017 and code 290.149 of the COE is duly established beyond any doubt. However, considering the fact that the Respondents have rectified the said non-compliance by appointing another partner of the Audit Firm as engagement partner for audit of the annual accounts of the Company for FY 2020, a lenient approach is warranted. Therefore, I in exercise of the powers conferred upon me under Section 512(2) of the Act vide S.R.O. 1545(I)/2019 dated December 6, 2019 conclude these proceedings with a strict **Warning** to the Respondents along with an advice to remain fully compliant with the regulatory requirements in the future.


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(Sohail Qadri)
Director / Head of Department
Adjudication Department-I

Announced:
March 24, 2025
Islamabad

