



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

ORDER	
Name of Company:	M/s. Towellers Limited
Show Cause Notice No. & Date:	CSD/ARN/207/2015-553 dated November 06, 2024
Respondents:	(i) Mrs. Mahjabeen Obaid, Chairperson; (ii) Mrs. Mehreen Obaid Agha, Chief Executive Officer; (iii) Mrs. Sana Bilal, Director; (iv) Mr. Hadeel Obaid, Director; (v) Mr. Zeeshan K. Sattar, Director; (vi) Mr. Abdul Jalil Shariff, Director; (vii) Mr. Vally Tariq Rangon Wala, Director; and (viii) M/s. Towellers Limited.
Date(s) of Hearing(s):	(i) December 19, 2024; and (ii) January 06, 2025.
Case represented by:	Mr. Zahid Hussain Zahid (FCA), Mushtaq & Co. (Authorized Representative)
Provision of law involved:	Regulations 33(2) and 34(2) read with Regulation 41 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Regulation 32(2) read with Regulation 37 of the Listed Companies (Code of Corporate Governance) Regulations, 2019; and Section 512 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. Towellers Limited (the "Company") and its Board of Directors (BoD), hereinafter collectively referred to as the Respondents, through Show Cause Notice No. CSD/ARN/207/2015-553 dated November 06, 2024 (the "SCN") issued under Regulations 33(2) and 34(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 the Company's annual reports for the relevant periods of year 2013 till 2019 and its compliance with the CCG Regulations, 2017 in respect of Financial Year 2019 revealed that M/s. Mushtaq & Co., Chartered Accountants (the "Audit Firm") were appointed as statutory auditors 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 respectively for each year are tabulated below for ready reference:

Year Ends	Statutory Auditor	Engagement Partner
2013	Mushtaq & Co.	Mushtaq Ahmad Vohra
2014	Mushtaq & Co.	Mushtaq Ahmad Vohra
2015	Mushtaq & Co.	Mushtaq Ahmad Vohra
2016	Mushtaq & Co.	Mushtaq Ahmad Vohra
2017	Mushtaq & Co.	Mushtaq Ahmad Vohra
2018	Mushtaq & Co.	Anwar ul Haque
2019	Mushtaq & Co.	Mushtaq Ahmad Vohra

3. It is evident from the above table and review of the auditors' reports for the respective years that Mr. Mushtaq Ahmad Vohra served as the engagement partner for the audits of the Financial Year

*Handwritten signature and date:*  
24-03-2025

ended June 30, 2013 till Financial Year ended June 30, 2017, i.e., five consecutive years. Thereafter, Mr. Anwar ul Haque assumed the role as the engagement partner for the Financial Year ended June 30, 2018. However, after a lapse of only one year, Mr. Mushtaq Ahmad Vohra resumed his role as the engagement partner for the Financial Year ended June 30, 2019; thereby failing to comply with the mandatory two-year cooling-off period as required by code 290.149 of the Code of Ethics, 2015 (the "COE") duly adopted by the Institute of Chartered Accountants of Pakistan (ICAP). This constituted, *prima facie*, a violation of the requirements outlined in the COE, Regulations 33(2) and 34(2) of the CCG Regulations, 2017; where the spirit of these provisions have also been retained in Regulation 32(2) and Regulation 33(2) of the CCG Regulations, 2019.

4. In order to probe the matter, a clarification was sought from the Respondents vide email dated October 11, 2024 to which the Company responded via email dated October 15, 2024, *inter alia*, stating that the matter was referred to the Audit Firm for its comments who have informed that the issue had already been raised by the Audit Oversight Board (AOB) which issued an order penalizing the Audit Firm. The Audit Firm has subsequently challenged the AOB's order in the Islamabad High Court which has suspended the order and the matter is currently sub-judice. It was further stated that the engagement partner of the 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 Code of Ethics, 2015**

*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**

*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.*

*Handwritten signature and date: 24-03-2025*

**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."*

6. Taking cognizance in the instant matter, the SCN was served upon the Respondents on November 06, 2024. In response, the Company Secretary on behalf of the Respondents vide letter dated December 03, 2024 filed a written response to the SCN, *inter alia*, stating the following:

- (i) Auditors were appointed in compliance with the requirements of the Act and the CCG Regulations, 2017.
- (ii) At the time of the appointment, M/s. Mushtaq and Company Chartered Accountants complied with the said rules and regulations and the Company appointed the Firm and not the individual partner.
- (iii) The question/issues raised by the Commission that the audit report of June 30, 2019 was signed by late Mr. Mushtaq Ahmad Vohra. This matter pertains to the firm's arrangement and the management had no control.
- (iv) On receiving the SCN, the matter was raised with the auditors and factual clarification was sought. The firm informed that this issue had previously been raised by the AOB, which issued a penalizing order against them. Mushtaq & Co, challenged the AOB's order in the Hon'ble Islamabad High Court, which has since suspended the order, and the matter remains under adjudication. It is to further clarify that the engagement partner Mr. Mushtaq Ahmad Vohra had passed away in August 2023.
- (v) Since the matter is in the court under adjudication, it is requested to kindly withdraw / postpone such hearing and proceedings under the said SCN.

7. In order to provide the Respondents an opportunity of personal representation in the matter, hearing was fixed for December 19, 2024. However, the Company Secretary on behalf of the Respondents vide letter dated December 16, 2024 sought adjournment which was allowed. Another hearing was fixed for January 06, 2025; wherein Mr. Zahid Hussain Zahid, FCA of Mushtaq & Co., appeared as the Authorized Representative on behalf of the Respondents (**the "Authorized Representative"**) and reiterated the written response submitted vide letter dated December 03, 2024. He further requested for a lenient view in the instant matter. Subsequently, the Authorized Representative, through a letter dated January 6, 2025, made additional submissions, *inter alia*, stating as follows:

“---

*Please note that show cause notice has been issued to our clients out of the findings of the Audit Oversight Board (AOB) dated 13<sup>th</sup> May, 2024. The order was based on the Securities and Commission of Pakistan Act 1997 and Audit Oversight Board Regulations 2018.*

*The order of the Audit Oversight Board was challenged in the Islamabad High Court under SECP Appeal No.02/2024 by the Auditors of the Firm (Mushtaq & Co). Audit Oversight Board and Securities & Exchange Commission of Pakistan are Respondents in the said petition.*

*Islamabad High Court Suspended the Order of AOB dated 16.05.2024. (Copy attached)*

*The matter is still under adjudication before the Islamabad High Court.*

*The show cause notice to our clients is based on the ICAP Code of Ethics 2015 which was adopted/effective from 1st July, 2015*

*Handwritten signature and date: 24-03-2025*

*The show cause notice to our clients is based on Code of Corporate Governance Regulations, 2017 and 2019 for which there is no violation of Code of Corporate Governance by our clients as partner was rotated in the year 2018.*

*There is no such provision of retrospective effect in the Code of Corporate Governance Regulations 2017 and 2019.*

*There is no such provision in ICAP Code of Ethics, 2015 for retrospective effects...*

*The alleged violation of cooling period is being counted from 30th June, 2013, prior to the enforcement of the ICAP Code of Ethics 2015.*

*The ICAP Code of Ethics 2015 is for Chartered Accountants and not for our clients.*

*The alleged violation of CCG Regulations 2017 and 2019 is denied and is contrary in the interest of justice.*

*The Audit Oversight Board has already penalized auditors (Mushtaq & Co) Chartered Accountants under Securities and Exchange Commission of Pakistan Act, 1997 and Audit and Oversight Board Regulations 2018.*

*Please note that one of the director of our clients Mr. Abdul Jalil Sharif has died on 9th January, 2022. His death Certificate is attached.*

*The alleged violation if any was committed by the late engagement partner Mr. Mushtaq Ahmed Vohra and not by our clients.*

*The engagement partner Mr. Mushtaq Ahmed Vohra, has died on 10th August, 2023.*

*It is humbly submitted that no violation was committed by our clients knowingly or willingly."*

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

(i) The Authorized Representative contended that the Company has complied with the provisions of the CCG Regulations, 2017, specifically with respect to the rotation of engagement partners of external auditors in the Financial Year 2018. Further, he 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 the Company and its BOD. In this matter, it is observed that the Respondents' stance does not hold grounds as members of the BoD of the Company cannot absolve themselves from their fiduciary duty of carrying out detailed due diligence before nominating only such external auditors to the shareholders for appointment who are eligible and are fully compliant with the regulatory framework.

(ii) Furthermore, as clearly evident from the annual reports and reports attached to the half yearly accounts, Mr. Mushtaq Ahmad Vohra resumed his role as the engagement partner for the audit of the year ended June 30, 2019, 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 and duly adopted by

*Handwritten signature and date: 24-03-2025*

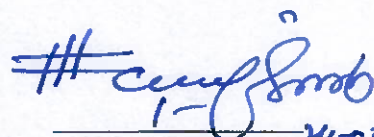
the ICAP. This constituted a violation of the requirements under the COE, the Regulations 33(2) and 34(2) of the CCG Regulations, 2017 for the respective period, i.e., FY 2019.

(iii) Moreover, it is observed that Respondent's claim on the lack of provisions for retrospective application of the ICAP's COE, the CCG Regulations, 2017 and the CCG Regulations, 2019 is entirely misplaced, not only in terms of understanding but also in terms of the application of such regulatory requirements. It must be noted that both CCG Regulations, 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.

(iv) The companies 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.

(v) Moreover, it is also observed that during the hearing, the Authorized Representative, himself realized and admitted the violation of the law. The Authorized Representative further explained that Mushtaq & Co. continues to serve as the Company's auditors with Mushtaq Ahmad Vohra (late) replaced by Mr. Zahid Hussain Zahid as the engagement partner since 2020 which has been duly corroborated by the Company's annual reports for the years ended June 30, 2020 and June 30, 2021 respectively.

9. In light of the foregoing, the contraventions of the requirements outlined in the COE, Regulations 33(2) and 34(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 beyond doubt. However, considering the fact that the Respondents have rectified the non-compliance for the financial year ended June 30, 2020 (year immediately following the year of non-compliance), the assurance provided by the Authorized 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. It is, 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. Moreover, considering the fact that Mr. Abdul Jalil Sharif, one of the Noticee in the instant proceedings, passed away on January 9, 2022, the proceedings against him in the instant matter are hereby dropped.

  
Sohail Qadri  
Director/ HOD  
Adjudication Department-I  
24-03-2025

**Announced:**  
March 24, 2025  
Islamabad.

