



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- II

Adjudication Division

BEFORE

**HAMMAD JAVED, ADDITIONAL DIRECTOR / HEAD OF DEPARTMENT
(ADJUDICATION DEPARTMENT – II)**

IN THE MATTER OF

M/S. S.MUBEEN & CO. CHARTERED ACCOUNTANTS & ITS PARTNERS

Show Cause Notice	No. Adj-II/250/36-37/IAN-182-183/Onsite/2023-24-643 dated June 05, 2024
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**ORDER UNDER REGULATIONS 6 AND 7 OF THE COMPANIES (MAINTENANCE AND
AUDIT OF COST ACCOUNTS) REGULATIONS, 2020 READ WITH SECTION 512 OF THE
COMPANIES ACT, 2017**

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the '**Commission**') vide the Show Cause Notice dated June 05, 2024 (the '**SCN**') issued to M/s. S.MUBEEN & CO. CHARTERED ACCOUNTANTS and its Partners (the '**Auditor**') under regulations 6 and 7 of the Companies (Maintenance and Audit of Cost Accounts) Regulations, 2020 (the '**Regulations**') read with section 512 of the Companies Act, 2017 (the '**Act**').

2. The Auditor was appointed as the cost auditor of the following companies (collectively referred to as the '**Companies**') for conducting the audit of their cost accounts for the financial year 2023 as required under the Regulations:

- i. M/s. Khalis Oil & Ghee Industries Limited
- ii. M/s. Tahir Omer Industries Limited

3. Brief facts leading to issuance of the SCN are that an examination of the Companies' records available with the Commission revealed that the Auditor had failed to submit the cost audit reports to the Commission and the concerned registrar, *prima facie* in violation of regulation 6(3) of the Regulations. Said Regulations are applicable in respect of companies engaged in production, processing, manufacturing or mining activities required to maintain cost accounts and have them duly audited by a cost auditor under the provisions of section 220(1) read with section 250(1) of the Act. For reference, regulation 6(3) is reproduced below:

"6. Cost auditor's report. –

(3) The cost auditor shall make out a report within one hundred and eighty days of the close of the financial year to which the cost audit relates, to the board in the form set out in Appendix II along with a statement in the form set out in Appendix III and simultaneously shall submit a copy to the Commission and the registrar concerned."

4. Aforementioned non-compliance with regulation 6(3) attracts proceedings envisaged under regulation 7 of the Regulations, in terms of which any contravention or violation of requirements of the Regulations are subject to penalty as provided under section 512(2) of the Act. The relevant legal provisions are as follows:

“7. Penalty for contravention of these regulations. – Any contravention or violation of any provision of these regulations shall be liable to a penalty as provided in sub-section (2) of section 512 of the Act, notwithstanding the punishment provided under sub-section (6) of section 220 or other provisions of the Act.

512. Power to make regulations.—

(2) Any regulation made under sub-section (1) may provide that a contravention thereof shall be punishable with a penalty which may extend to five million rupees and, where the contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.”

5. Accordingly, the SCN was issued to the Auditor calling upon to show cause in writing as to why penalty as provided under regulation 7 of the Regulations read with section 512(2) of the Act may not be imposed on them for non-submission of the cost audit report to the Commission and the concerned registrar as required under regulation 6(3) of the Regulations for the financial year 2023.

6. Subsequently, during the show cause proceedings, it was informed by the relevant department of the Commission that the Auditor has filed the cost audit reports of the Companies for the financial year 2023 with the Commission as required under regulation 6(3) of the Regulations. Therefore, considering that the Auditor has now complied by filing the cost audit reports, as stated above, no monetary penalty is being imposed on the Auditor this time. However, the Auditor is hereby warned to ensure timely and meticulous compliance with respect to all the applicable provisions of the Act, Rules and Regulations made thereunder, henceforth.

7. This order is issued without prejudice to any other action that the Commission may initiate against the Auditor and its partners in accordance with law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

(Hammad Javed)

Additional Director / Head of Department
Adjudication Department-II

Announced: February 12, 2025