



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 NOOR LAW CHAMBER THROUGH ITS PROPRIETOR/CHIEF EXECUTIVE, MR.
NOOR ELAHI S/O SAMANDAR KHAN**

Show Cause Notices	No. Adj-II/247/01/IAN-97/Onsite/2023-24 – 107 dated January 18, 2024	
Date on which hearing opportunity provided	Date	Attended by
	January 30, 2024	Adjourned
	February 12, 2024	Mr. Muhammad Musawar Gill
	April 29, 2024	No one appeared
	July 11, 2024	No one appeared

**ORDER UNDER SECTION 254 OF THE COMPANIES ORDINANCE, 1984 (NOW
SECTION 247 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 to M/s Noor Law Chamber (the '*Firm*') through its Proprietor/Chief Executive, Mr. Noor Elahi S/o Samandar Khan (the '*Respondent*') for acting as auditor of M/s Travel Wide Services (Private) Limited (the '*Company*') having paid up capital of Rs. 7.5 million, for the financial years ended on June 30, 2016 and 2017, *prima facie*, in violation of the provisions of Section 254 the Companies Ordinance, 1984 (the '*Ordinance*') (now section 247 of the Companies Act, 2017).

2. Section 254 of the Companies Ordinance, 1984 (now section 247 of the Companies Act, 2017), stipulates the qualifications and disqualifications of auditors of companies including a private limited company having paid up capital of three million rupees or more as follows:

Section 254. Qualification and disqualification of auditors. - (1) A person shall not be qualified for appointment as an auditor, -

- (i) *in the case of a public company or private company which is subsidiary of a public company unless he is a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961); and*
- (ii) *in the case of a private company having paid up capital of three million rupees or more unless he is a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961).]*



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Division
Adjudication Department - II

Continuation Sheet - 2 -

247. Qualification and disqualification of auditors. - (1) *A person shall not be qualified for appointment as an auditor –*

(a) in the case of a public company or a private company which is subsidiary of a public company or a private company having paid up capital of three million rupees or more unless such person is a chartered accountant having valid certificate of practice from the Institute of Chartered Accountants of Pakistan or a firm of chartered accountants;

3. The facts leading to the issuance of the Show Cause Notice (the 'SCN') are that based on the investigation conducted by the Commission into the affairs of the Company under section 256 of the Companies Act, 2017 (the "Act") vide order dated May 05, 2023, the Inspectors concluded that M/s Noor Law Chambers was not a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), however, it acted as an auditor of the Company for the financial years ended on June 30, 2016 and 2017, *prima facie*, in violation of provisions of Section 254 of the Ordinance (now section 247 of the Companies Act, 2017).

4. The Investigation team in the Investigation Report dated October 24, 2023 in this regard reported as under:-

i) During the investigation, Mr. Muhammad Mussawar Gill with authorization by way of power of attorney in his name, from Noor Law Chamber appeared before the Investigation Team for recording of his statement, as follows:

"I, Muhammad Mussawar Gill S/O Muhammad Ashraf, CNIC No. 33301-6500814-1, holding power of attorney to represent Noor Law Chamber situated at Office # 20, 1st Floor, Rose-1 Plaza, I-8 Markaz, Islamabad.

2. I hereby state that Noor Law Chamber is practicing since 2007 as tax practitioner and accountant run by Mr. Noor Elahi s/o Samandar Khan resident of I/8, Islamabad.

3. I further state that Noor Law Chamber audited the financial statements of Travel Wide Services (Private) Limited for the year ended June 30, 2016 and 2017 for the purpose of internal use only on the request of management of the Company.

4. I say that with respect to the consent letters dated August 03, 2015 and August 08, 2016 to act as auditor of the Company for the respective year 2016 and 2017, I shall provide information till October 11, 2023. Furthermore, I will also provide information with respect to fee, working paper file and any other report generated in this regard.

Noor Law Chamber, did not furnish the information even after October 11, 2023 and after repeated phone calls at the given cell number 0314-3364986 of Mr. Mussawar Gill.

ii) The Investigation team scrolled the last available list of Firms and Compositions containing Name of Proprietor / Partners or Member In-charge (Section 26, CA Ordinance) issued by the Institute of Chartered Accountants of Pakistan (ICAP), however, the Noor Law Chamber or Noor Elahi as a firm or member of ICAP was not found in such list.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Division
Adjudication Department - II

Continuation Sheet - 3 -

iii) The Company vide letter dated August 10, 2023 had provided the consent of M/s. Noor Law Chamber to act as auditor of the Company for the years 2016 and 2017. Further, Minutes of AGM 2016 and 2017 revealed that the Financial Statements for the years 2016 and 2017, prepared by Noor Law Chamber, were presented to the members along with the Auditors' Reports thereon and were approved and adopted in the general meeting.

5. Accordingly, the SCN dated January 18, 2024 was issued to the Respondent calling upon to furnish submissions in writing to explain within ten (10) days of the date of the SCN, as to why the penalty provided in section 254 of the Ordinance (and 247 of the Act) may not be imposed on the Respondent.

6. Further, the Respondent was provided hearing opportunities on January 30, 2024 and on February 12, 2024. Mr. Muhammad Musawar Gill, (the '*Authorized Representative*') appeared on the hearing held on February 12, 2024 and subsequently submitted a written response vide email dated February 26, 2024. The submissions made by the Authorized Representative in writing as well as verbally are summarized as under: -

- *That my client is educated, civilized, respectable and law-abiding citizen of the country and earn great respect and honor in the eyes of relatives, society, friends, colleagues, business circle and general public.*
- *That my client has prepared audit report for internal purpose of the Company and on the request of the Company for private use. That the Company used the same for official purpose is negligence on their part. That wording "for internal use" may kindly be considered while taking into consideration the submission of my client. That penal action against my client will disrespect it in fraternity. That during long carrier my client have not committed any wrong before any regulating body.*
- *My client is not resident of this country. Therefore, your Notice is legally defective and nullity in the eyes of the law.*

The letter also contained some references of Honorable Courts regarding "Jurisdiction" which were not found to be of any relevance to the instant case.

7. Now therefore, I have gone through the facts of the case, submissions made by the Authorized Representative as above, the relevant provisions of law and information/record/documents available with the Commission, all the facts of the instant proceedings and have observed as under:

i) As mentioned in his written reply vide email dated February 26, 2024, the Authorized Representative submitted that the Firm had prepared the audit report for "*internal purpose*" of the Company and on the request of the Company for private use. In this regard, the Audit Reports for the financial years 2016 and 2017 issued by M/s Noor Law Chambers were reviewed and followings were observed:

a) Audit Report for the year 2016:

The words "*For Internal Purpose*" are **not** mentioned on the Audit Report for the year 2016.

b) Audit Report for the year 2017:

The words "*For Internal Purpose*" are mentioned on the Audit Report for the year 2017.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Division
Adjudication Department - II

Continuation Sheet - 4 -

However, all the other characteristics of the audit reports i.e.

- i) Title of the report;
- ii) Providing an opinion that the *financial statements are not materially misstated*;
- iii) Reference to the International Financial Reporting Standards (IFRS) and;
- iv) The presentation and approval of such audit reports by the Company in general meetings,

establish that such audit reports were prepared and issued by the Respondent as 'Statutory Audit Reports' rather than for "Internal Purpose". Moreover, the Respondent had the responsibility to take appropriate actions to make sure that the Audit Reports issued by him are used only for the purpose for which these were made and not any other purpose. These actions could include intimation to the Commission, the users of audited financial statements and whoever was in receipt of the Audit Reports, about the true purpose of the financial statements. However, the Respondent failed to provide any evidence of the actions taken by him in this regard.

- ii) The Respondent vide letters dated August 3, 2015 and August 8, 2016 had provided its consent to act as auditor of the Company for the years ended June 30, 2016 and June 30, 2017 respectively, wherein it is clearly stated:

"The audit will be conducted in accordance with the requirements of the Companies Ordinance, 1984/the Companies Act, 2017, other applicable rules and regulations and the International Standards on Auditing as applicable in Pakistan."

It is important to highlight that the nature of audit as required under the Companies Ordinance 1984 (now the Companies Act, 2017) as well as the audit conducted as per the *International Standards on Auditing* is only that of *statutory or external* audit and not for the "Internal Purpose" as being claimed by the Respondent. The Respondent himself had provided his consent to act as auditor of the Company vide its aforementioned consent letters. This proves that the Respondent conducted the "Statutory Audits" of the Company rather than the audits for "Internal Purpose".

- iii) The Authorized Representative's submission that *"my client is not resident of this country therefore, the Show Cause Notice is legally defective and nullity in the eyes of the law"* does not hold any merit because the Firm through its proprietor provides consultancy services in Pakistan to the people and the companies registered in Pakistan, therefore, all the acts done by the Firm in connection with its business/services are questionable and adjudicable under the law of the land which in the instant case is the Companies Ordinance 1984 (now the Companies Act, 2017). Therefore, the Firm and its proprietor have no excuse against the adjudication/punishment for violation of the applicable law under which it provided the audit services to the Company.
- iv) Further, keeping in view the above and before issuing any adverse order, the Respondent was provided further hearing opportunities on April 29, 2024 and on July 11, 2024, however, such hearings were not attended by the Respondent.

8. In view of the foregoing, it is established that the Respondent was not a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), however, it acted as

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SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
Adjudication Division
Adjudication Department - II

Continuation Sheet - 5 -

auditor of the Company for the financial years ended on June 30, 2016 and 2017, in violation of Section 254 of the Ordinance (now section 247 of the Act).

9. As established in preceding paragraphs, the Respondent has committed violation of Section 254 of the Ordinance by acting as an auditor of the Company for the year ended June 30, 2016 and the violation of section 247 of the Act by acting as an auditor of the Company for the year ended June 30, 2017. The violation of section 254 of the Ordinance and section 247 of the Act attract penal provisions of section 254 (6) of the Ordinance and section 247 (7) of the Act, respectively, against the Respondent, which provide as under:

Section 254 (6): *A person who, not being qualified to be an auditor of a company, or being or having become subject to any disqualification to act as such, acts as auditor of a company shall be liable to fine which may extend to [twenty-five] thousand rupees.*

Section 247 (7): *A person who, not being qualified to be an auditor of a company, or being or having become subject to any disqualification to act as such, acts as auditor of a company shall be liable to a penalty of level 2 on the standard scale.*

10. I, therefore, in exercise of the powers under section Section 254 (6) of the Ordinance and Section 247 (7) of the Act, delegated to the undersigned vide S.R.O. 1204 (I)/2020 dated November 10, 2020 and S.R.O No. 1546(I)/2019 dated December 6, 2019, hereby impose the following penalties on M/s Noor Law Chamber through its Proprietor/Chief Executive, Mr. Noor Elahi S/o Samandar Khan:

For the Audit of Financial Year	Amount (Rs.)	Penalty	
		Imposed under section	Description
June 30, 2016	12,000/-	254 (6) of the Ordinance.	For violation section 254 (1) of the Ordinance.
June 30, 2017	240,000/-	247 (7) of the Act.	For violation section 247 (1) of the Act.

11. **M/s Noor Law Chamber through its Proprietor/Chief Executive, Mr. Noor Elahi S/o Samandar Khan** is directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited or United Bank Limited within 30 days of the receipt of this Order and furnish Original Deposit Challan to this office.

12. This order is being issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the 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: September 04 2024