

Before Shahzad Afzal Khan, Director/ Head of Department (Adjudication-I)

In the matter of Show Cause Notice issued to ShineWing Hameed Chaudhri & Co.
Chartered Accountants

Date of Hearing

January 18, 2023

Order-Redacted Version

Order dated January 24, 2023 was passed by Director/ Head of Department (Adjudication-I) in the matter of ShineWing Hameed Chaudhri & Co. Chartered Accountants. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated December 08, 2022.
2. Name of Respondent	ShineWing Hameed Chaudhri & Co. Chartered Accountants (the "Audit Firm" or the "Respondent").
3. Nature of Offence	Alleged contraventions of <u>Regulation 32(2), 34(2), 35(4), 35(5) and 35(7) of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the "Regulations")</u> read with <u>Section 78 and 159(5) of the Securities Act, 2015 (the "Act")</u> .
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case and considered the written as well as verbal submissions of the Respondent and its Representatives in light of the applicable legal provisions and observed the following:</p> <p>a. At the outset, it is noted that the requirements of Regulation 32(2) and 34(2)(a) of the Regulations are specifically pronounced in the Regulations. Further, Regulation 35(5) of the Regulations mandatorily and unambiguously requires the auditor to opine on a securities broker's status of compliance with Section 78 of the Act.</p> <p>b. The auditor is obliged under the International Standards on Auditing read with the applicable provisions of the Act & the Companies Act, 2017 to comply with all of the relevant requirements of rules & regulations.</p>

	<p>c. The requirement of Regulation 35(5) of the Regulations requiring an explicit opinion in the statutory audit report is independent of the annual "Client Assets Segregation Statement" prepared by the management of the Company as at June 30, 2021 and filed with the Pakistan Stock Exchange Limited (PSX). Submission of such a statement, duly verified by the Audit Firm, does not absolve it of its responsibility to comply with the specific requirements of Regulation 35(5) of the Regulations.</p> <p>d. The subsequent audited financial statements of the Company for the year ended June 30, 2022 as well as earlier accounts of 2020 reflect that the Audit Firm has adequately provided the requisite opinion therein regarding the Company's status of compliance with the requirements of Section 78 of the Act as at the date when these said financial statements were prepared.</p> <p>It is evident from the above that the omission of the requisite opinion in the audit report and the requisite disclosures in the financial statements for the financial year 2021 is an admitted position; however, the Audit Firm has demonstrated a corrective behavior and duly rectified the omission of opinion on Section 78 in its subsequent audit report in the financial year 2022. Further, the Audit Firm has shown its commitment to ensure meticulous compliance with all requirements of the Regulations (including Regulation 32(2) and 34(2)) in true letter and spirit from the year 2023 onwards.</p> <p>In view of the above-stated facts and circumstances and submissions made by the Audit Firm, I, in exercise of the powers conferred upon me under Section 159(5) of the Act, hereby conclude the instant proceedings without imposing any monetary penalty on the Audit Firm; however, the Audit Firm is hereby warned to remain vigilant and ensure meticulous compliance with all applicable laws including the Regulations & the Act in true letter and spirit in the future.</p>
5. Penalty Imposed	Warning
6. Current Status of Order (As of the uploading date)	No Appeal has been filed by the respondent.