

PRESS RELEASE

Task Force on Rotation of Auditors Constituted

ISLAMABAD – 12 March 2004: To resolve the differences between stakeholders on the issue of rotation of auditors, the Securities and Exchange Commission of Pakistan (SEC) has constituted a task force under the Chairmanship of Mr. Justice (R) Syed Najam-ul- Hassan Kazmi.

The requirement of rotation of audit firms of listed companies after every five years was introduced through the Code of Corporate Governance issued by the SEC in March 2002. It was opposed by the Institute of Chartered Accountants of Pakistan (ICAP). With a view to reaching some understanding, the requirement of rotation was deferred to 31 December 2003. During this period a series of meetings were held with ICAP representatives to resolve the differences.

On 5 December 2003, President of ICAP again wrote to the SEC that the decision of rotation of auditors is not in the interest of the accountancy profession nor in the interest of the corporate sector. He also requested a meeting in the issue. The meeting was attended by the Chairman SEC and ICAP along with other participants. In the meeting held on 23 December 2003, the Commission decided to continue with the mandatory rotation of auditors however, agreed to form a Task Force, which shall study the issue of rotation of auditors in the local as well as international scenario. The decision was formally communicated to ICAP on 24 December 2003. On 26 December 2003, ICAP again came up with the suggestion that the decision of rotation of auditors should be deferred until the findings of the Task Force are submitted. ICAP also requested another meeting on the issue, which was held on 13 February 2004 wherein it was formally decided to form a Task force, represented by members from all stakeholder to be nominated by SEC in consultation with ICAP. It was also decided that the proposed Task Force shall submit its recommendations within three months from its formation.

The members of the task force are:

1. Mr. Arif Habib, President, Karachi Stock Exchange
2. Mr. Farooq Rehmatullah, President, Overseas Investors Chambers of Commerce and Industry
3. Mr. Riaz Ahmed Tata, President, Federation of Pakistan Chambers of Commerce and Industry
4. Mr. Asad Ali Khan, Corporate Financing Consultant
5. Mr. Zafar Khan, Chairman, PTCL
6. Mr. Vincent Harris of Hub Power Company

Mr. Javed A. Ghafoor, an officer of the SEC has been nominated to work as Secretary to the Task Force.

The Task Force has been requested to complete its task within a maximum period of three months. Terms of Reference of the Task Force would be as under:

- Whether partners of an audit firm may be allowed to rotate as allowed by the IFAC Code of Ethics or the audit firm itself.
- Whether the listed company's auditor should be rotated every five years as required by the Code of Corporate Governance.
- Should any company or class of companies be exempted from rotation of audit firm? If so, what criteria, if any, should be applied?