



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

Press Release

Economically significant companies told to appoint QCR-rated auditors

ISLAMABAD, March 17: In order to strengthen the vigilance on the audit reporting on financial statements by the auditors and to safeguard the investors/stakeholders' interests, the SECP has directed all non-listed companies categorized as economically significant companies to appoint their statutory external auditors from chartered accountants (CA) firms holding satisfactory rating under the Quality Control Review (QCR) Program of the Institute of Chartered Accountants of Pakistan (ICAP) with effect from July 1, 2012.

Keeping in view the international practices and to develop and maintain compliance of professional standards amongst the CA firms engaged in the audit of economically significant companies, the SECP has introduced the mandatory requirement for the non-listed companies designated as economically significant companies in terms of clause 2(iii) of the Fifth Schedule to the 1984 Companies Ordinance to appoint as its statutory external auditors a CA firm within the meaning of the 1961 Chartered Accountants Ordinance and the 1983 Chartered Accountants Bye-Laws, which holds satisfactory rating under the Quality Control Review Program of ICAP with effect from the financial year beginning on or after July 1, 2012. The said direction is issued in consultation with the ICAP.

It is pertinent to mention here that Clause 2(iii) of the Fifth Schedule to the Ordinance provides that 'economically significant company' means a company that has:

- (a) turnover in excess of Rs1 billion, excluding other income
- (b) number of employees in excess of 750; and
- (c) total borrowings (excluding trade creditors and accrued liabilities) in excess of Rs500 million:

Provided that in order to be treated as economically significant any two of the criterion mentioned in (a), (b) and (c) above have to be met. The criteria followed will be based on the previous year's audited financial statements. Companies can be excluded from this category where they do not fall under the aforementioned criteria for two consecutive years.

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