



Securities and Exchange Commission of Pakistan

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PRESS RELEASE

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SECP PANEL OF AUDITORS

ISLAMABAD – FEBRUARY 13, 2008: The Securities and Exchange Commission of Pakistan (SECP) had invited applications on 8th January 2008 from Chartered Accountancy firms so as to create a SECP 'Panel of Auditors'. The applications were initially called for up to 31st January 2008, a date which was subsequently extended to 29 February 2008.

On this initiative of the SECP some constructive proposals were received but there also appear to be some apprehensions expressed in the print media and/or in written submissions to the Commission. It is apprehended by some that creation of panel of Auditing firms is probably designed to favor some big audit firms. This apprehension is not correct. On the contrary the intentions are otherwise and are an effort to create a premium for professionalism and knowledge.

The Panel of Auditor is proposed to be developed by the SECP for listing audit firms for auditing of companies in different sectors like NBFC, insurance, non-banking listed companies and non-listed companies having paid up capital exceeding Rs 7.5 million. This development of Panel is primarily intended to create compatibility between the capacities of the Auditors and the requirements of the audit of a particular company. This creation of Panel and its periodic revision will promote more professional work.

There is nothing absolutely new in the initiative taken by the SECP. State Bank of Pakistan (SBP) already issues a 'Panel of Auditors' which it maintains under Section 35 of Banking Companies Ordinance, 1962. SBP requires scheduled banks and DFI's to appoint their auditors from amongst this approved panel. The panel is periodically reviewed by SBP to accommodate new applicant firms and also to upgrade/downgrade the firms on the basis of emerging evidence regarding them.

SBP Panel is already being used for Banks and DFIs and these being too few auditing firms on that Panel, SECP has decided to create approved 'Panels of Auditors' primarily so that:

- The choice of the companies to appoint qualified and experienced auditors gets expanded to a fairly reasonable number of auditors which is not too restricted.
- The auditors appointed by a company have the knowledge of the specific sector of the business of which he is going to conduct audit.

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- The auditors appointed have the capacity and skills to properly audit the particular business for which it is appointed.

The creation of 'Panels' will also help in the development and up gradation of the Auditing companies in Pakistan by inculcating further professionalism by;

- Obliging Periodical Quality Control Review of auditing firms by ICAP.
- Motivating audit firms to carry out internal and external reviews besides the selected ones done by ICAP.
- The firms will also become more conscious of the need for reviewing their procedure themselves so as to voluntarily improve the quality of their audit.
- Audit firms whose work in the past has not been satisfactory and lacking in professionalism will have to reform themselves.
- The SECP Panel will take due account of the qualified persons engaged in an audit firm and encourage the networking of the Pakistani audit firms with the international and national audit firms of repute.
- This will also encourage combination/amalgamation of single member firms to two members or three member firms to increase the knowledge base.

Cognizant of the need to develop the Auditing practices in Pakistan an objective criteria has been developed by the SECP with the assistance of ICAP and senior (nonpracticing) auditors. Salient features of the criteria were embedded in the Application Forms on which Chartered Accountancy Firms were requested to apply for inclusion in the Panel.

This initiative of SECP is being misinterpreted by some audit firms, therefore, it probably needs to be reiterated that the creation of panels of auditors is designed to expand the number of auditors available for specialized audit work and not restrict the Panel which would be available for appointment of auditors of NBFCs, Insurance Companies, Modarabas, Brokerage, non-banking listed companies and non-listed companies with paid-up capital of Rs7.5 million or more by invoking the powers under section 506 BB of the Companies Ordinance and section 48 of the Insurance Ordinance.

The SECP is open to any constructive suggestions. If there is a need to divide the Panel so as to make it specific for companies with different structures or capacities e.g. paid-up capital, turnover or asset value it will be given due consideration besides whether to have separate panels for insurance, NBFC, modaraba, etc. This would be done in a manner whereby the number of eligible auditors in SBP Panel is increased and not decreased.