



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

*Strategy, Development and External Relations Department*

*Press Release*

## **SECP acts against directors and auditors of companies for breaches of law**

ISLAMABAD, March 20: As part of its mandate to monitor listed and un-listed companies and to safeguard the stakeholders' interest, during February, the SECP penalized a number of companies, their managements and statutory auditors for non-compliance with the corporate laws and applicable accounting standards.

The Enforcement Department of the SECP passed 29 orders and initiated 36 show cause proceedings against directors and auditors of listed and non-listed companies. These enforcement actions mainly pertained to the violation of the takeover law; companies issue of capital rules; un-authorized inter-corporate financing; late/non-submission of quarterly accounts; non-preparation and submission of consolidated financial statements; misstatements in financial statements and other reports; non-appointment of independent share registrar; un-authorized utilization of security deposits and provident fund; mis-utilization of powers by directors and improper issue, circulation or publication of balance sheet or profit-and-loss accounts.

The department also resolved 16 investor complaints during the month, which mainly related to non-receipt of dividend warrants, disposal of fractional shares, delay/non-transfer of shares, and issue of duplicate shares, etc.

The statutory auditors of four listed companies who had failed to act in conformity with the statutory framework were penalized and warned to discharge, in future, their responsibilities with due care and professionalism to give an independent and objective opinion on financial statements. The auditors are required to give an opinion on the true state of affairs of the companies; however, the audit reports issued by these auditors had failed to bring out the material facts.

The directors of a listed company were penalized for the omission of material information. A creditor of the company had imposed a restriction on payment of dividend to the shareholders without its prior permission. The restriction on the rights of the shareholders was never disclosed in any of the annual accounts of the company since the time of its imposition.

Proceedings were finalized against the directors of a listed company for exceeding their powers by holding the meeting of the board in the absence of the prescribed quorum. The company's storage tanks were sold to a private company owned by its directors, however, three interested directors, in spite of being legally restrained to approve the transaction, failed to refrain from participating in the meeting of the board convened to consider the matter.

Proceedings, for misstatement of fact, against the directors of a private company were finalised where the unaudited accounts for the years 2008 to 2010 had been presented as audited. The SECP issued a direction that duly audited accounts be filed within three months from the date of the order in addition to penalizing the directors.

Additionally, the SECP sanctioned two onsite inspections of books, records and papers in view of the un-authorized disposal of fixed assets, non-submission of annual and quarterly accounts and material qualifications raised by the statutory auditors. Such inspections are conducted on a routine basis as fact finding exercises under section 231 of the Companies Ordinance, 1984 to ascertain the state of affairs of the companies.

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