



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

## Media and Corporate Communications Department

### Press Release

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For immediate release

## **SECP implements quality control mechanism for cost auditors**

ISLAMABAD, February 15: Securities and Exchange Commission of Pakistan in its recent meeting has withdrawn the 1990 Vegetable Ghee and Cooking Oil Companies (Cost Accounting Records) Order, and issued a circular requiring appointment of QCR-rated auditors for performance of cost audit. The SECP has been entrusted with a multifaceted role of ensuring accountability and transparency and at the same time enhancing the ease of doing business. It, therefore, constantly evaluates its regulatory regime to achieve the aforesaid delicate balance.

Vegetable Ghee and Cooking Oil Companies (Cost Accounting Records) Order required that the companies in this sector maintain cost records. These records were further required to be audited under the provisions of the 1984 Companies Ordinance. A review of the sector revealed that practically local industry imports the bulk of refined, bleached and deodorized cooking oil and markets it subsequent to packaging. The manufacturing constitutes only negligible part of the producing process hence the cost records/audits did not add value to the understanding of the financials of such companies. It was also noted that businesses in ghee and cooking oil sector mostly operate in other than company form.

At the same time, in order to strengthen vigilance on cost auditors reporting on the cost accounts, the SECP has introduced quality control mechanism for cost auditors. Thereby, the SECP now requires all public companies to appoint only cost and management accountants or chartered accountants as their cost auditors, which hold satisfactory rating from the Institute of Cost and Management Accountants of Pakistan (ICMAP) or the Institute of Chartered Accountants of Pakistan (ICAP).

Accordingly, chartered accountant within the meaning of the 1961 Chartered Accountants Ordinance or the 1966 Cost and Management Accountant within the meaning of the Cost and Management Accountants Act, which hold satisfactory rating under Quality Control Review Program of the ICAP or ICMAP shall be recommended by public companies for purpose of seeking the SECP's approval for appointment of cost auditor under the requirements of Companies Ordinance, and the 1998 Companies (Audit of Cost Accounts) Rules. All public companies are directed to ensure compliance and recommend only QCR-rated auditors for cost audit for financial year ending June 30, 2016. It is viewed that quality control review of cost auditors would enhance the credibility of cost audit reports and increase stakeholders' confidence.