

Feb 26, 2002

SEC Fines Mr. Muhammad Zakaria Loya, CA, for Negligence in Performance of Duties

The Enforcement Division of the Securities and Exchange Commission of Pakistan (SEC) has imposed a fine of Rs. 4000/- on Mr. Muhammad Zakaria Loya, a chartered accountant and member of the Institute of Chartered Accountants of Pakistan (ICAP), for negligence in the performance of his duties as an auditor. Mr. Loya is conducting his business in Karachi under the name Zakaria Loya & Co.

The Enforcement Division of the SEC has enhanced its capacity for analyzing the accounts of listed companies to identify irregularities in the audited accounts submitted by companies. This is in pursuance of the Commission's objective of improving corporate governance by bringing more transparency and better disclosure in the corporate sector.

Mr. Loya was appointed auditor of a listed company for the year ended June 30, 2001. Examination of the audited accounts of the company for the year ended June 30, 2001, revealed irregularities in the observance of International Accounting Standards (IAS) in regard to the preparation of accounts as well as non-compliance with disclosure requirements of Companies Ordinance, 1984. In his audit report, Mr. Loya failed to point out the non-disclosures and contraventions in the accounts as he is required to do under Section 255 of the Companies Ordinance. Furthermore, the audit report signed by Mr. Loya was not on the prescribed Form 35-A, as he had not audited the statement of changes in equity and had not given any opinion on the truth and fairness of the statements as well as observance of the approved accounting standards.

The provisions of the Companies Ordinance are mandatory and it is the responsibility of the auditor to ensure that the audit is conducted in the manner provided in the Ordinance and to report non-compliances/contraventions of mandatory requirements to shareholders of companies. It is also the responsibility of the auditor to bring to the notice of shareholders, major breaches observed in the financial statements.

As Mr. Zakaria Loya admitted the default and was unable to give any justifiable excuse, the default was considered deliberate. In addition to the fine of Rs. 4000/-, it was also impressed upon Mr. Loya to perform his duties with reasonable degree of care and skill in future.