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**SEC imposes fine on Mr. Mohammad Kaleem Rathor, CA, for negligence in the performance of his duties as an auditor.**

The Enforcement Division of the Securities and Exchange Commission of Pakistan (SEC) has imposed a fine of Rs. 2000/- (maximum provided under the law) on Mr. Muhammad Kaleem Rathor, a practicing 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. Rathor, who is conducting his business in Lahore under the name Kaleem and Co, was also issued a warning.

Mr. Kaleem was appointed auditor of a listed company in March 2000. An examination of the accounts of the company revealed that the company had issued a corporate guarantee of Rs. 40 million to a commercial bank on behalf of its associated undertaking, which was a contravention of the provisions of Section 195 of the Companies Ordinance 1984, and could have caused great losses to the company. It was also observed that the company had not followed the requirements of International Accounting Standards in regard to the preparation of the accounts and had not complied with several mandatory requirements of the 4th Schedule to the Ordinance. In the audit report, Mr. Rathor did not bring these contraventions to the attention of the members, as he was required to do under Section 255 of the Companies Ordinance.

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 members of companies. It is also the responsibility of the auditor to bring to the notice of members, major breaches observed in the financial statements.

The report prepared by Mr. Rathor was not in conformity with the requirements of the relevant provisions of the Companies Ordinance and he failed to bring material facts about the affairs of the company to light. Not only did Mr. Rathor admit to these defaults, but also failed to give any justifiable excuse for them, thus making himself liable for penalty. In his note of warning, Mr. Rashid Sadiq, Executive Director, Enforcement Division, SEC, instructed Mr. Rathor to be more careful and cautious in future and to perform his duties with a reasonable degree of care and skill.