

Auditor

Appointment and remuneration of auditors (Sec 246)

Auditor	Time of Appointment	Appointed by	Term of Office
First	90 days of incorporation	Directors	Till 1st AGM
Subsequent	At AGM	Members on recommendation of the BOD	Till next AGM
Casual Vacancy	30 days of such vacancy	Directors	Till next AGM

- Auditor, appointed by directors or the members, may be removed before conclusion of next AGM by Special Resolution
- If auditor is removed by Special resolution, next auditor will be appointed by board with prior approval of SECP.

SECP shall appoint auditor, on its own motion or on application by company or members, if:

- 1st auditors not appointed by directors within 90 days of the incorporation
- Auditor not appointed in an AGM
- Casual vacancy not filled by directors within 30 days
- Auditors appointed are unwilling to act

<u>Appointing Authority</u>	<u>Remuneration Fixed by</u>
Directors	Directors
SECP	SECP
All other cases	Members

Retirement of existing and Appointment of new auditor in an AGM

- Member(s) having at least 10% shareholding shall also be entitled to propose any auditor whose consent has been obtained.
- A notice shall be given to company at least 7 days before the date of the AGM..
- On receipt of such notice, company shall:
 - Sent a copy of notice to the retiring auditor, forthwith.
 - Post it on its website.
- Retiring auditor can make representation to company at least 2 days before AGM. It shall be read in AGM and it shall be mandatory for auditor/representative to attend the meeting.
- Company shall intimate the registrar within 14 days of appointment / removal / casual vacancy together with the consent of appointed auditor.

2020/12/21 11:24

REDMI NOTE 9 48MP QUAD CAMERA

Qualification and disqualification of auditors (Sec 247)

- Auditor shall be a CA having valid certificate of practice form ICAP or a Firm of CAs for:
 - Public Company
 - Private Company which is subsidiary of Public Company
 - Private Company having paid up share capital of at least Rs. 3 million.
- For companies other than above, auditor shall be CA or CMA having certificate of practice from respective institute or Firm of CAs/CMAs having such criteria as may be prescribed
- Firm where majority of partners practicing are qualified for appointment can be appointed in firms name.
- Only partners meeting above criteria shall be authorized to act and sign on behalf of firm.

DISQUALIFICATIONS OF AUDITOR

1. Person who during preceding 3 years was director, other officer or employee of Company
 2. Person who is a director, other officer or employee of Company
 3. Person who is a partner or employee of a director, officer or employee of Company
 4. Spouse of the director of Company
 5. Person indebted to Company, other than in ordinary course of business of such entities
 - Not be considered indebted, if owes less than 1,000,000 to a credit card issuer
 - Not be considered indebted, if unpaid utility dues for ≤ 90 days to utility Company
 6. Body Corporate
 7. Person or his spouse and his minor children, or in case of a firm, all partners of a firm who holds any shares in Company or its associated company.
(If he holds shares before appointment, the fact shall be disclosed at time of appointment and shall disinvest such shares within 90 days of appointment)
 8. Person who has given a guarantee/security in connection with the indebtedness of any third person to the company other than in the ordinary course of business of such entities;
 9. Person or a firm who, directly or indirectly, has business relationship with the company other than in the ordinary course of business of such entities;
 10. Person who has been convicted by a court of an offence involving fraud and a period of 10 years has not elapsed from the date of such conviction;
 11. Person who is not eligible to act as auditor under the code of ethics as adopted by the ICAP and the ICMAP;
- Person disqualified as auditor of a Company shall also be disqualified for its Holding company, its Subsidiary Company or Subsidiary Company of its Holding Company.
 - If after appointment auditor becomes disqualified, he shall deem to vacate office with effect from date he becomes disqualified
 - If an unqualified/disqualified person is appointed as auditor; It shall be void and SECP may appoint a qualified person in place of the auditor appointed by Company.
 - A person, who not being qualified to be an auditor, acts as auditor of a company shall be liable to a penalty of level 2

Rights and duties of auditors**RIGHTS (Sec 248)**

- To access freely to all books & papers of Company and all supporting documents
- Access to copies/extracts of branch records as transferred to Principal office of company
- To require any of the following, to provide him necessary information or explanations:
 - Any director, officer or employee of the company;
 - Any person holding or accountable for any of company's books, accounts or vouchers;
 - Any subsidiary of the company;
 - Any officer, employee or auditor of any subsidiary
 - Any person holding or accountable for books, accounts or vouchers of any subsidiary
- The auditor is entitled to attend, receive all notices of any general meeting
- The auditor is entitled to be heard at any general meeting which he attends on any part of the business which concerns him as auditor

DUTIES (Sec 249)

- Conduct audit, prepare report and express opinion in compliance with the requirements of ISA adopted by the ICAP.
- Carry out such examination to form an opinion as to
 - Whether adequate accounting records have been kept and adequate returns have been received from branches not visited by him; and
 - Whether the company's F/S are in agreement with accounting records and returns.
- Auditor shall make a report on books of accounts and F/S; shall be laid before AGM.
- The **report shall state**; whether or not:
 - They have obtained sufficient audit evidencé for audit
 - In their opinion, proper books of accounts have been kept
 - Statement of Financial position and profit and loss account and Other Comprehensive Income or the income and expenditure account and the cash flows has been prepared in accordance with Act and are in agreement with their books and returns.
 - The true and fair view has been given by F/S
 - In their opinion all the investments made, expenditure incurred and guaranteed extended was for the purpose of the business.
 - Zakat deductible under Zakat and Ushr Ordinance 1980 been deducted & deposited.
- If auditor's report makes reference to some other report or statement:
 - Such report be annexed to auditor's report and be considered a part of report.
- SECP may direct any Company or class of Company that the auditor's report shall also include a statement of such additional matters as may be so specified.
- Where any qualification is put in auditor's report, there shall be added the reasons for it and the true position of Company to the best of auditor's knowledge.
- For listed company, auditor or a person authorized by him in writing shall be present in the general meeting in which financial statements and auditor's report are to be considered.

SECP may by general or special order, direct, that the statement of compliance to be attached with Directors Report, shall be reviewed by the auditor who shall issue a review report to the members on the format as specified.

Signature of auditors' report (Sec 251)

The auditor's report must

- State the name of auditor and Engagement Partner
- Signed by auditor (or partner of audit firm practicing in Pakistan)
- Dated
- Indicate the place at which it is signed

If audited by a firm, report must be signed by the firm with name of engagement partner.

Audit of Cost Accounts (Sec 250)

Where any company or class of companies are required to keep cost accounts, SECP may direct audit of cost accounts be conducted in specified manner & stipulations by a CA or CMA having same powers, duties etc as auditor, and other prescribed powers, duties & liabilities

Such audit shall be directed by SECP subject to the recommendation of the regulatory authority supervising the business of relevant sector.



Circular

Companies required to submit following documents and info to SECP for approval

- Recommendations of 3 names of CAs/CMAs (preferring one of them with reasons)
- Details of experiences of cost audit of above CAs/CMAs
- Valid copies of certificates of Practice from ICAP/ICMAP
- Affidavit under rule 30 of Companies Rules 1985
- Original paid challan of application processing fee
- Application to be signed by CE & submit to SECP at least 30 days before appointment

Penalty for non-compliance.

By companies (Sec 252)

Any contravention or default in complying with requirements of sections 246, 247, 248 and 251 shall be an offence liable to a penalty of level 3 on the standard scale.

By auditors (Sec 253)

For non compliance, Penalty of level 2

If auditor's report is made with the intent to profit such auditor or any other person or to put another person to a disadvantage or loss or for a material consideration, auditor shall, additionally be punishable with imprisonment up to 2 years and penalty up to Rs 1 million.