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PART II

Statutory Notifications (S. R. O.)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

NOTIFICATION

Karachi, the 4th March, 2022

PUBLICATION OF FINDINGS AND DECISION OF THE COUNCIL UNDER SECTION 201 OF THE CHARTERED ACCOUNTANTS ORDINANCE, 1961

S. R. O. 438(I)/2022.—(1) It was noted that a practicing member of the Institute, Mr. Abubaker Bilwani, FCA [R-0661], committed the following irregularities while conducting the audit of financial statements of a Non-Profit Organization for the year ended June 30, 2016 resulting in non-compliance of the relevant laws/regulations including the Companies Ordinance, 1984 and the International Standards on Auditing (ISAs):

- Financial statements of Non-Profit Organization for the year ended June 30, 2016 were issued on the letterhead of his firm which is non-compliance of ISA 200 (Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with International Standards on Auditing) and ISA 700 (Forming an Opinion and Reporting on Financial Statements). Further, the member mentioned in his audit report that the preparation of the financial statements is the responsibility of the management of the company. However, the member did not exercise due care and did not act diligently in this regard.

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- It was mentioned in the letterhead of his firm, on which the audit report was issued, that he is a partner in another firm, whereas he had ceased to be a partner of such firm on the date of the aforesaid audit report, resulting in violation of Directive 4.21 (Directive on Standardization of Letterheads of Audit Firms) of the Institute. Further, the letterhead contains names of the persons, who are not appearing as partners of his firm as per records of the Institute, resulting in violation of Directive 4.21 of the Institute.

- Directors' Report for the year ended June 30, 2016 annexed with the subject financial statements was issued on the letterhead of his firm while as per Section 236 of the Companies Ordinance, 1984, preparation of the Directors' Report is the responsibility of the directors of company.

2) It was noted that the requirements of the Accounting Standard for Not for Profit Organizations (NPOs) and International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SMEs) were not followed by the Non-Profit Organization in the preparation of the subject financial statements, as required by Section 234 of the Companies Ordinance, 1984 and the member did not address the following matters appropriately in his audit report as per the requirements of Companies Ordinance, 1984 and relevant ISAs:

(i) Income Statement was not annexed with the financial statements of the Non-Profit Organization. A Receipt and Payment Account for the period ended December 31, 2016 was annexed which was signed by the Chief Executive Officer;

(ii) The account balance "Capital Work Completed" appearing in the balance sheet of the Non-Profit Organization indicates completion of the work on assets, however, the amount was not properly classified as "Property, Plant and Equipment" and no depreciation was charged thereon;

(iii) Note 3 to the financial statements of the Non-Profit Organization was missing;

(iv) Notes to the financial statements (Fixed Assets) of the Non-Profit Organization did not contain comparative information for the prior period; and

(v) The account balance "Accumulated Surplus/Profit" appearing in the balance sheet was shown as Rs. 23,346,711, however, the same account balance was appearing as Rs. 23,386,711 in the Statement of Changes in Equity.

In view of the above and after considering the report of the Investigation Committee, the information and evidence available on record and the submissions made by the member during his hearing, the Council decided to hold Mr. Abubaker Bilwani, FCA [R-0661] guilty of professional misconduct under Clause (3) of Part 4 of Schedule I of the Chartered Accountants Ordinance, 1961 for not complying with the Directive 4.21 and fundamental principles stated in Paragraphs 100.5(c) (Professional Competence & Due Care) and 100.5(e) (Professional Behavior) of the Code of Ethics for Chartered Accountants contained in Directive 6.04 of the Institute.

The Council decided to reprimand the member under Section 20D of the Chartered Accountants Ordinance, 1961.

[Ref. No. ICAP/INV/000773/91702.]

SYED MASOOD AKHTAR,
Secretary.

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