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CORPORATE GOVERNANCE ISSUES & CHALLENGES

Pakistan Institute of Public Finance Accountants

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"To be a premier professional body that develops distinguished public finance accountants for the corporate and public sectors."

Our Mission

"To contribute towards continuous development, enhancement and strengthening of the field of accountancy, public finance and audit to support economic growth in the country."

Our Core Values

Professional Excellence
Integrity
Good Governance
Transparency
Accountability
Innovation
Objectivity

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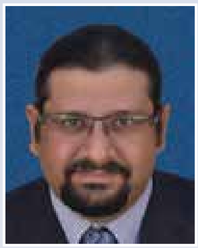
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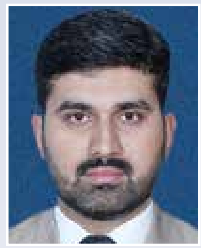
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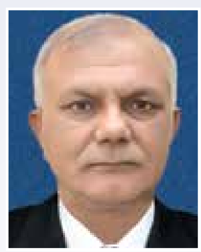
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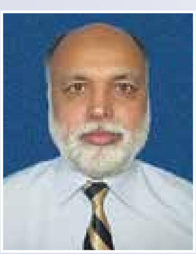
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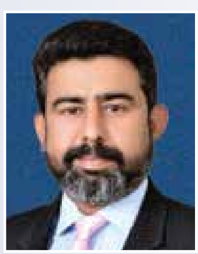
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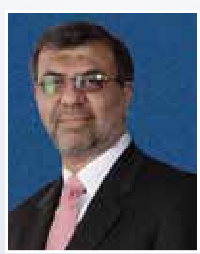
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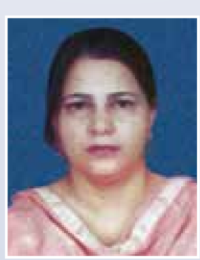
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MESSAGE OF THE PRESIDENT

I am elated and honored to present you the 22nd Volume of our PIPFA Journal on theme, “Corporate Governance Issues and Challenges”. Companies are inculcated and controlled through a system of rules, practices and processes and this system is known as Corporate Governance. The governance of the companies is the primary responsibility of its Board of Directors appointed by the shareholders. The shareholders also assume the right to appoint auditors to ensure that an appropriate governance structure is in place at all times.

The ultimate purpose of Corporate Governance is the wellbeing of Stakeholder through improved financial performance. The secondary purposes served by Corporate Governance encompass enabling effective, commercial and judicious management for the delivery of strategic success of the organization. The interests of many stakeholders associated with the organization, including shareholders, management, employees, customers, government and the community are essentially balanced by The Corporate Governance mechanism. Corporate Governance in any country is an issue of deep concern since it directly affects public confidence in organizations. Affective Corporate Governance prevents organizations from potential frauds and bankruptcy.

The Securities and Exchange Commission of Pakistan (SECP) has been actively monitoring the changes in international business scenario which has a direct or incidental impact on local businesses. Although, SECP has devised a multidimensional strategy to ensure transparency and accountability in the corporate sector, it further ensures to safeguard the interests of all stakeholders, including minority shareholders' rights alongwith strict audit compliance. Neverthlesss, Corporate Governance system is still challenged by a number of issues. The uncertain economic conditions of the country are the biggest hurdle to recompense good governance or penalize unethical practices. Transparency and accountability is yet a dream to come true since large part of the economy is undocumented. The execution of code of good governance on the part of SECP requires ample amount of effort at companies listed in Stock Exchange. The tightly held up ownership, lack of professional skills, audit dependability and inefficient management and structures are the major issues identified in the cournty. The secondary causes of inefficiency include the inability to appoint Board of Directors on meritorious basis, attempts to control shareholders, and ineffective remuneration system.

PIPFA has been ensuring the provision of quality education and training to public and corporate sector students. The Institute has been exclusively operating for professional development in corporate sector and continues to strive for updating the knowledge of its students and members through continued professional development seminars and workshops.

The articles in PIPFA Vol-22 intend to explain and discuss current issues and challenges posed to corporate governance in Pakistan and recommendations for code of good governance execution.

Mr. Mohammad Iqbal Ghori

MESSAGE OF THE CHAIRMAN-RESEARCH AND PUBLICATION COMMITTEE

On behalf of Research and Publication Committee, it is an immense pleasure to present the 22nd edition of the PIPFA Journal with the theme of "Corporate Governance Issues and Challenges". This Journal serves the purpose of continued professional development through professional literature on industry practices, trends and norms in the fraternities of Accountancy, Finance, Audit, Taxation and Corporate Laws. Corporate Governance is a process to be carried out by corporate entities to ensure that the business and management operate according to prescribed standards, morals and effectiveness that further leads to safeguard, protect and promote the interests of all corporate stakeholders.

The Corporate Code of Governance was issued by the Securities and Exchange Commission of Pakistan (SECP) in March 2002 to instigate a framework for good governance of the companies listed on Pakistan's Stock Exchanges. The Stock Exchange in Karachi, Lahore and Islamabad were directed by SECP in exercise of its powers under section 34(4) of the Securities and Exchange Ordinance 1969 to adapt the provisions of the Code in their respective listing. The Code of Corporate Governance has benefited the industry and economy in many ways by creating a competitive market and increasing the investment capital. A weaker Corporate Governance system deters investment and economic progression in a country.

The major challenges posed to Corporate Governance in Pakistan embrace undocumented economy, busy professionals, lower remunerations of Board of Directors, and cash based accounting that limits transparency. Although the Code of Corporate Governance has incorporated dramatic changes in Pakistan's markets and economy but still there is dire need to enforce the Code at all the listed companies to incorporate provisions of Code for good governance.

On behalf of PIPFA Research and Publication Committee, I would like to extend my sincere gratitude to the Members who have contributed their treasured articles for this edition and their efforts are highly recognized and appreciated. We would also like to pay thanks to our Editorial Committee, our secretariat and our sponsors for their positive contribution and support.

CORPORATE GOVERNANCE – CHALLENGES, ISSUES AND TRENDS

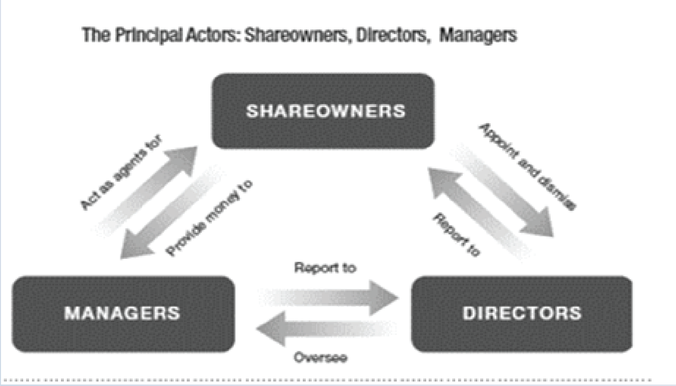
(BY: FAIZAN ZAFAR ACA, APFA)

Corporate Governance and its Importance in Today's World

"If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere. All enterprises within that country — regardless of how steadfast a particular company's practices may be — suffer the consequences. Markets must now honor what they perhaps, too often, have failed to recognize.

Markets exist by the grace of investors. And it is today's more empowered investors that will determine which companies and which markets will stand the test of time and endure the weight of greater competition. It serves us well to remember that no market has a divine right to investors' capital."[1]

OECD's Principles of Corporate Governance state that, "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."[2]



1Arthur Levitt, Jr., "Speech by SEC Chairman: Remarks before the Conference on the Rise and Effectiveness of New Corporate Governance Standards," Federal Reserve Bank of New York. (December 12, 2000). (Available at: http:www.sec.gov/news/speech/spch449.htm.)

2 OECD Principles of Corporate Governance, 2004.

Pillars and Principles of Corporate Governance

The foundation of trust among shareholder, directors, and managers consists of four corporate governance pillars:

Accountability

- Ensure that management is accountable to the board; and
- Ensure that the baord is accountable to the shareholders.

Fairness

- Protect shareholders' rights;
- Treat all shareholders equitably; and
- Provide effective redress for violations

Transparency

- Ensure timely, accurate disclosure of all financial and non-financial inforamtion.

Responsbility

- Recognize stakeholders' rights; and
- Encourage cooperation between company and stakeholders in creating wealth, jobs and economic sustainability.

These four pillars provide the foundation for the six principles used by the Organization for Economic Co-operation and Development (OECD), as expressed in its Principles of Corporate Governance (2004). Those six principles are:

Principles of Corporate Governance

- Ensuring the Basis for an Effective Corporate Governance Framework
- The Rights of Shareowners and Key Ownership Functions
- The Equitable Treatment of Shareholders
- The Role of Stakeholders in Corporate Governance
- Disclosure and Transparency
- The Responsibilities of the Board

Elements of Good Corporate Governance

Good Board Practices

Good Board practices emanate from establishment of a well-structured board consisting of suitably skilled and diverse group of persons who are well aware of their roles and responsibilities, having an up-to-date self-evaluation mechanism in place.

Control Environment

It entails actions, policies, values, and management styles that inspire, and establish the direction of, an entity's routine activities. It is the foundation on which an effective system of internal control is built and operated.

Well-Defined Shareholder Rights

These include establishing policies regarding rights of minority shareholders, related party transactions, and clear and explicit dividend policy.

Transparent Disclosure

"Transparency Is Assurance". Good corporate governance should ensure that timely and accurate disclosure is made regarding all material matters concerning the corporation, including its financial situation and results. The reason is that less information means less assurance for investors. It is in the interest of a company to provide clear, timely and reliable information that is adequately prepared, and to make relevant information equally accessible to all stakeholders.

Board Commitment

Commitment from the Board means that it is dedicated to maintaining, and enforcing, strong corporate governance practices that serve the interests of the Company and its shareholders. It also involves recognition that corporate governance practices must continually evolve in order to ensure that representation of the interests of shareholders is carried out effectively.

Corporate Governance Framework in Pakistan

The Securities & Exchange Commission of Pakistan, in cooperation with other regulatory bodies including the State Bank of Pakistan and Pakistan Stock Exchange Limited, has been highly responsive towards best practices taking place in the international business environment. Acting under its multi-faceted governance scheme, the SECP has been actively taking actions, enabling local corporate sector to meet the challenges raised by dynamic global business scenarios, with particular focus on encouraging businesses to adopt good corporate governance practices. Our corporate governance framework comprises of multiple laws that regulate corporate governance activities within the country. The primary law that governs most aspects of the corporate legal framework is the Companies Act, 2017. Below is an overview of the major laws that affect governance of corporate entities in Pakistan:

Common Issues & Challenges

Lack of Commitment at the Top

"Governance and leadership are the yin and the yang of successful organizations. If you have leadership without governance you risk tyranny, fraud and personal fiefdoms. If you have governance without leadership you risk atrophy, bureaucracy and indifference."[3]

Enron's unspoken message was, "Make the numbers, make the numbers, make the numbers—if you steal, if you cheat, just don't get caught. If you do, beg for a second chance, and you'll get one."[4]

Before everything else, board members need to be "committed" towards enforcing best corporate governance practices. Those at the top at Enron failed to enforce the mechanisms of governance in place, sowing the seeds of secrecy and fraudulent behavior to flourish, ultimately leading to its debacle.

Inexperienced/Unskilled Members on the Board

"Nine of them are retired. Four of them are over 75 years old. One is a theatre producer, another a former Navy admiral. Only two have direct experience in the financial-services industry. Meet the Lehman Brothers Holdings Inc. external board directors, a group of 10 people, who perhaps unknowingly, carried the health of the world's financial system on their shoulders."[5]

"The Lehman example begs the question not whether it was an age appropriate board but whether the mix of the

skills and experiences could together provide the appropriate level of oversight required in the complex environment where Lehman operated".[6]

Inadequate Number of Independent Directors

A crucial trait for an effective board is independence. As Warren Buffet said, 'True independence—meaning the willingness to challenge a forceful CEO when something is wrong or foolish—is an enormously valuable trait in a director. It is also rare.'[7]

Ideally, independent board members should constitute a majority. To be truly independent, board members must have the necessary business experience and expertise. Sadly though, this is not the case generally.

Inadequacy of Relevant Information

Information is passed onto the boards through multiple layers of management which makes it difficult to receive accurate, important data, thus impairing the boards' ability to make well-informed, well-directed and timely decisions in the best interests of the shareholders and the companies.

3 Mark Goyder (Director of Tomorrow's Company)

4 A quote from Sherron Watkins in "Enron: What caused the Ethical collapse?".

5 Berman, D. (2008) Where was Lehman's Board? The Wall Street Journal, 15 September 2008.

6 Extract from the book titled "Driven to the Brink: Why Corporate Governance, Board Leadership and Culture Matter".

7 Connors, Richard (2009), Warren Buffett on Business: Principles from the Sage of Omaha (San Francisco: Wiley).

Inadequate Risk Management

Risk management is one of the key aspects of corporate governance. It is the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk. The financial crisis of 2007-2008 is the prime example of poor risk management on part of financial institutions, which resulted in not only losses to the global economy but wiped out a number of corporations worldwide. Some common risk management problems in relation to corporate governance that appeared in many financial institutions before and during the crisis according to the OECD (2009) were:

- Risks were frequently not linked to strategy;
- Risk definitions (context, event, consequence) were often poorly expressed;
- Organizations weren't always in a position to develop intelligent responses to risks; and
- Boards didn't take into account stakeholders in detailing responses to risks.

Lack of Gender Diversity

Good corporate decision-making requires the ability to listen and deliberate different perspective, coming from people with different backgrounds, experiences, and intellectual capacities. One of the ways to achieve this is through gender diversity on boards, something which is neglected worldwide.

When Fortune-500 companies were ranked by the number of women directors on their boards, those in the highest quartile in 2009 reported a 42%

greater return on sales and a 53% higher return on equity than the rest, according to a recent study conducted by Lois Joy, Nancy Carter, Harvey M. Wagner, and Sriram Narayanan.[8]

Best Corporate Governance Practices

Every company must, having due regard to its needs and local legal requirements, design and implement suitable, up-to-date governance practices. The following corporate governance best practices can be adopted by any company that will be surely beneficial to achieving long-term corporate success:

Establish a Diversified and Qualified Board of Directors:

- The majority of directors should be independent;
- Establish a board where directors question and challenge management's decisions, instead of simply approving them;
- Give new directors an orientation to familiarize them with the business, their duties and the Board's expectations; and
- Develop a self-evaluation mechanism to assess whether directors are fulfilling their duties and suggest improvements, wherever required.

8 Why Boards Need More Women, Yilmaz Arguden, Harvard Business Review, June 07, 2012

Define Roles and Responsibilities:

- Establish terms of reference for the Board and each sub-committee setting out their duties and responsibilities;
- In addition to the ones required to be formed by law, consider establishing other sub-committees that oversee specific areas of operations and/or transactions; and
- Written role descriptions should be established for the Chairman, Board committees, the CEO etc.

Emphasize Integrity and Ethical Dealing

- Adopt a policy covering various conflict of interest instances, a code of conduct for employees, , and a whistleblower policy; and
- Appoint a responsible person from senior management for oversight and management of these policies and procedures.

Evaluate Performance and Make Principled Compensation Decisions:

- Setting fees that will attract suitable candidates, but won't create an appearance of impacting a director's independence; and
- Establish SMART performance goals for executive officers (including the CEO), and regularly assess and evaluate their performance against them;

Effective Risk Management:

- The Board should regularly review adequacy of the systems and controls implemented by management to identify, assess, mitigate and monitor risk and the adequacy of its reporting; and
- It is also responsible to understand the current and potential risks facing the company and their implications, while objectively assessing management's assumptions and adequacy of risk management processes and procedures.

Future Trends in Corporate Governance

A research conducted by Farient Advisors, a U.S based corporate governance and executive compensation consultancy, conducted a research titled "Global Trends in Corporate Governance", across 17 countries, which highlighted following key trends in corporate governance:

- Corporate governance is now in higher regard among governments, investors, and often, the public. This is because good governance, being a necessity for healthy capital markets, also indicates quality of corporate management and board effectiveness.
- Governance trends are interchangeable. Although emergence of a single governance framework, given the different cultural norms and stages of market development, is not likely to occur anytime soon, there is growing trend towards cohesion in key governance practices around the world.
- There is greater focus on governance and more shareholder-friendly practices.
- Shareholders are becoming more adept and proactive in influencing governance change. They have better data around global practices, and have become more effective in promoting their interests.
- Companies want to be an attractive vehicle for investing capital. As a result, boards are volunteering for stronger, more shareholder-friendly governance systems. Being aware of what these mechanisms are globally and how they are likely to build and converge is becoming part of the job for today's progressive board members.

Conclusion

Corporate Governance dictates the shared thinking, practices and culture of an organization and its employees. The Financial Times writes, "Good corporate governance is a competitive advantage." Without it, a company cannot reach its potential, and that makes corporate governance indispensable. Its effective implementation enhances a company's image in the eyes of public as an entity that holds itself accountable, making it worthy of investment for shareholders. Corporate governance keeps a company honest and out of trouble. Failure to implement the governance practices in true spirit can ultimately result in debacle of a corporation. Only those corporations, who remain up-to-date and attentive towards changing corporate governance trends, will be able to sustain their value in the eyes of the investors, both existing and new ones.

BY: BANTI LAL CIPFA-UK (AFFILIATE), FPFA, MA (ECONOMICS)

STRENGTHENING "GOVERNANCE STRUCTURE" IN PAKISTAN

Abstract

Aim of this research article is to elaborate historical background and fundamental notion of Code of Corporate Governance (CCG), covered in detail are two different approaches of Code i.e. Principle and Rule based approaches,very important to understand first.In scope moving ahead is the recent developments and initiatives taken by the regulator and finally discussion light onits practical issues and emerging challenges respectively.

Key Words:

Stakeholders, BOD, NEDS, CCG

Writer View

My primary objective behind writing this article on subject title is to highlight core issues and challenges of Code of Corporate Governance in Pakistan. Code of Corporate Governance is presumed as a button,by pressing it automatically all the problems of corporate world will be rectified; it is merely a hypothetic assumption, in fact practical reality is different…!!

There is relaxation hidden in the fundamental principal of code which is "comply or explain" which meansthe code is dissimilar to statutory law which required to be strictly followed if not then results in breach of law. In case if there is any conflict arising between law and code, there is always supremacy of law.

Introduction:

Historical Perspective

As per the Wikipedia the word "Governance" derives, ultimately, from the Greek, Governance is all of the processes of governing, whether undertaken by a government, market or network, whether over a family, tribe, formal or informal organization or territory and whether through the laws, norms, power or language of an organized society. It relates to the processes of interaction and decision-making among the actors involved in a collective problem that lead to the creation, reinforcement, or reproduction of social norms and institutions. In lay terms, it could be described as the political processes that exist in between formal institutions.

Fundamental Concept

The concept of Code of Corporate Governance (CCG) is the frameworkthrough which companies are directed and controlled. The CCG structure specifies distribution of rights and responsibilities in respect toall types of stakeholders and depicts the rules and procedures for making decisions in corporate affairs. Further codeassists in designing, attaining and monitoring of company's strategic objectives.

CCG specially focus on the relationship of a company to its shareholders and to society; the promotion of fairness, transparency and accountability; reference to mechanisms that are used to ensure that the actions taken are consistently in line with the interests of key stakeholders. The key points of interest in CCG includes issue of transparency and accountability, the legal and regulatory environment, appropriate risk management measures, information flows and the responsibility of senior management and the board of directors.

The primary goal of CCG is to protect shareholders and other stakeholders from misconduct. Effective CCG measures are essential to prevent corporate scandals, fraud, and potential civil and criminal liability. Such measures enhance the reputation of an organization and make it more attractive to investors, creditors, consumers, and donors. On the other hand, bad Corporate Governance can create an environment conducive to fraud and ultimately lead to the demise of an organization and significantly harm its stakeholders.

Whether a company is private, public, not for profit, and government, all those charged with its governance should assess their structure and needs to develop an effective corporate governance approach. The underlying goal in a corporate governance system is to ensure that the decision makers in a company, such as its directors and management, are acting in the best interests of the company's stakeholders.

SECP has issued corporate governance frameworks for designated classes of companies including listed companies, public sector companies, and insurance companies, for mandatory compliance. Besides, corporate governance principles for non-listed companies have been issued for guidance and voluntary compliance. These are available for reference at the given link.

Two Approaches of CCG

There are 2 possible systems to have good corporate governance first is "Rules Based Approach (adopted in USA)", and second is "Principle Based Approach (adopted in the UK)". The difference between these two approaches has been explained in detailed below:

1. Principle Based Approach

In this approach principle of 'comply or explain' is fundamental pillar, which means that companies have to take seriously the general principles of relevant corporate governance codes.Compliance is required under stockmarket listing rules but non-compliance is allowed based on the premise of full disclosure of all areas of non-compliance. It is believed that the market mechanism is then capable of valuing the extent of non-compliance and signaling to the company when an unacceptable level of compliance is reached.On points of detail companies could be in non-compliant as long as they made clear in their annual report the ways in which they were non-compliant and, usually, the reasons why.

This meant that the market was then able to 'punish' non-compliance if investors were dissatisfied with the explanation (i.e. the share price might fall). In most cases nowadays, comply or explain disclosures in the UK describe minor or temporary non-compliance. Some companies, especially larger ones, make 'full compliance' a prominent announcement to shareholders in the annual report, presumably in the belief that this will underpin investor confidence in management, and protect market value.

Companies are required to comply under listing rules but the fact that it is not legally required should not lead us to conclude that they have a free choice.The stock market takes a very dim view of most material breaches, especially in larger companies.Typically, smaller companies are allowed (by the market, not by the listing rules) more latitude than larger companies.-This is an important difference between rules-based and principles-based approaches. Smaller companies have more leeway than would be the case in a rules-based jurisdiction, and this can be very important in the development of a small business where compliance costs can be disproportionately high.

2. Rules Based Approach

Under this Rules-based approach control is when behaviour is underpinned and prescribed by statute of the country's legislature. Compliance is therefore enforceable in law such that companies can face legal action if they fail to comply. US-listed companies are required to comply in detail with Sarbox provisions. Sarbox compliance can also prove very expensive.

The same detailed provisions are required of SME's as of large companies, and these provisions apply to each company listed in New York.

Recent Developments

The Securities and Exchange Commission of Pakistan (SECP) notified on 31 August for public comments a draft Listed Companies (Code of Corporate Governance) 2017, under the newly promulgated Companies Act, 2017.

The regulator has attempted to align the code with emerging challenges; however, the proposed draft compromises the principles of Code of Corporate Governance, 2012 and maintains the status quo in the area of corporate governance. The draft regulations was placed at the SECP`s website in August to obtain public opinion and in view of request from stakeholders, the deadline of providing comments was extended by a month and a consultative session with stakeholders was held in October to deliberate on the stakeholders` views.

It may be noted that draft CCG regulations were to become effective within 14 days from date of notification; however the SECP extended the deadline up to September 30 in order to elicit the views of all stakeholders, especially the professional accounting bodies. The Securities and Exchange Commission of Pakistan (SECP) has notified the Listed Companies (Code of Corporate Governance) Regulations 2017, replacing the Code of Corporate Governance 2012.The Listed Companies Regulations 2017, which would come into effect from January 1, 2018, have been issued under the PSX listing regulations and are aimed at aligning corporate governance practices with international standards.

The regulations will also strengthen governance structures, bring consistency in the corporate practices and promote transparency through enhanced disclosure requirements. Furthermore, the role and responsibilities of directors have been made clear and enhanced, independent decision-making is encouraged, gender diversity is supported and mechanism for transparency and accountability is strengthened.

A key demand presented to the SECP was to decrease the limit of directorship for a person from seven to five listed companies, which means that one person can be the director of five listed companies only. The regulations aim at strengthening the presence and role of independent directors. The board of directors is mandated to have at least two or one third of number of directors, whichever is higher, as independent directors.

The independent directors shall be required to file a declaration confirming that a statutory criterion for independence has been duly complied. The provision pertaining to directors training programs has been revised under the new regulations so that data bank of trained individuals is strengthened. The requirement of minimum number of directors obtaining training has been accelerated to be 100 per cent by 2021.

The regulations have also added stringent quorum requirements for board meetings in case of conflict of interest. In addition to mandatory training of one female executive each year from 2019, companies are mandated that at least one senior executive undergoes directors training program after 2021. The regulations also strengthen gender balance on the boards, and to encourage inclusion of competent female directorship, companies are required to train at least one female executive under the directors training program. In order to promote accountability, formal and effective mechanism for annual evaluation of the board`s own performance and of its committees is mandatory.

CCG – Issues & Challenges

Following depicted points are fundamental cause of poor corporate governance:

1. Flexibility

The code is flexible in nature, companies design their strategies in such a way that create room to prevent from non-compliance and showing all the guidelines have been adhered beautifully.

2. Subjectivity

The element of subjectivity is high in the Code therefore it may give rise to clarity issues. Every company might interpret different despite what actually mean to say to achieve desired objective. In order to better understand this point, I am giving an example of driving a vehicle. If someone say that a driver should drive safely then important question here is that what criteria would determine that driver is not driving safely, because road accident can occur due to counter side mistake done by driver or there could be many other possible reasons resulting in accident.

3. Board/NEDs

With respect to board / NEDs there are another several issues not limited to these only; out of these several, few of the issues I am trying to highlighting here in my article which I think deemed necessary to raise concern over.

3.1 Composition

Very important issue is to maintain the balance composition of board in listed companies. Non-balanced composition of NEDs in the listed co. means the poor corporate governance practiced.

3.2 Independence

Besides NEDs balanced composition, another key issue taking priority is independence of the NEDs because every member has to ensure no connection of any type either directly or indirectly with the management. It is practically difficult to ascertain genuinely that no any relationship of member exist because mostly appointments are made on relationship basis.

3.3 Lack of Competence

Lack of adequate knowledge, qualification and experience causes the major reason of poor Corporate Governance practices. Appointments on merit basis could mitigate this issue till certain extent, however appointments to be made on merit base have remain taboo in our country.

3.4 Lack of Interest

No long-term benefits and remuneration as the NEDs are not employees, get low fee on account of attending meetings and does not have any relationship with management. These are the possible reasons of lack of interest.

3.5 Treatment with Stakeholders

This injustice behavior of the one part of the stakeholders toward the others is the main reason of failure of the Corporate Governance in Pakistan.

Stakeholders other than the shareholders are not as powerful to protect their interests in the under developing countries like Pakistan.

In Pakistan Individuals or the entities which are responsible for the rights of the human resource and the environment are not active.

Conclusion

Establishing any framework does not let free from all responsibilities, however proper implementation, monitoring and timely updating of the same with the industry requirement is essential for the growth of organization and economy of our country.

WORKING WITH GOOD GOVERNANCE IN THE PUBLIC SECTOR: FIVE LESSONS AND TWO WISHES

BY PETER WELCH,
AUDIT DIRECTOR, EUROPEAN COURT OF AUDITORS, & MEMBER OF CIPFA COUNCIL

Both in the public and private sector, auditors care about the governance arrangements of their auditees. In the public sector, where recommendations are a key audit output, I would argue that we frame our advice on the assumption that our client is rational, public-spirited and focused on achieving its objectives. This is how the IFAC/CIPFA International Framework, Good Governance in the Public Sector, defines the objective of good governance. So when the European Court of Auditors sought to assess the governance arrangements of the European Commission, the International Framework was the obvious tool to use.

Our conclusion and recommendations, plus insight into our approach, is covered in the 2016 Special report, Governance at the European Commission—Best Practice? The process also gave me a chance to develop five lessons from working with the Framework, and a couple of wishes, that generated an interesting discussion at the CIPFA Annual Conference 2017 in July.

The International Framework Is Consistent with Other Major Frameworks

As IFAC and CIPFA told the world, the International Framework was developed after reviewing current literature. During our process, we checked whether it the Framework is consistent with other key sources of guidance on the issues we covered—if not, we expected our recommendations would be challenged. The Framework passed with flying colors.

The Role of the Audit Committee Is Central

Having an audit committee with an independent membership and a wide-ranging mandate is essential. We reviewed the arrangements of a number of international public sector bodies to see what can be achieved. There are some great examples of good practice out there.

Getting the Structures Right Is Essential, But You Need People to Make the Structures Work

We had a lively discussion on this at CIPFA's conference. Two major thoughts emerged: To make the internal and external accountability mechanism work, you need people who are prepared to ask tough questions—sometimes more than once. Ensuring all the right questions are asked is also crucial, and having a diverse group of people involved is a big advantage.

External Reporting Feeds into Internal Accountability

Setting the target of explaining the difficult issues to an external audience should mean that you debate them internally too. Best practice is to give those tough members on the audit committee a chance to go through them. These days, reporting on non-financial issues often appears to be more of a challenge than reporting on finances.

Applying an External Suite of Financial Reporting Standards Ensures You Have the Financial Information to Support Internal Questions

The transformation of financial reporting by big international organizations should not be underestimated—and the European Commission is part of the group that has made a rapid advance. Applying a valid, independently-determined set of accruals standards (such as International Public Sector Accounting Standards) makes it harder to keep the bad news off the balance sheet. Now that is good for governance.

And Two Small Wishes

Putting together the International Framework was a tremendous achievement. I hope neither CIPFA nor IFAC will allow it to get become dated before reviewing the content. The guidance it contains is itself evolving, as is best practice in the public sector.

And when a review takes place, I hope that someone will take the material in the Supplement, which I believe is excellent, as the basis for drawing up a self-assessment guide. This would be a valuable quick win.

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CORPORATE GOVERNANCE AND TRANSPARENCY—THE CHICKEN OR THE EGG OF SUSTAINABLE DEVELOPMENT?

BY STATHIS GOULD,
HEAD OF PROFESSIONAL ACCOUNTANTS IN BUSINESS AND INTEGRATED REPORTING, IFAC

We witnessed history recently—the agreement between all 193 UN member states on the 17 Sustainable Development Goals after three years of consultations and negotiations. The role of business in achieving many of the SDGs is critical. In most jurisdictions the private sector will be the main driver of employment, and have a broader reach and ability to create prosperity. However, the private sector is falling short and needs to step up.

I recently participated in a panel discussion at the UN about achieving the SDGs (the 32nd session of the UN Conference on Trade and Development's intergovernmental working group on International Standards of Accounting Reporting). This panel followed an earlier presentation by IFAC Past President Warren Allen on the accountancy profession, the SDGs, and how important the profession is to reaching the goals.

One of the vexing questions on sustainable development is how to foster more responsible business and purpose-driven leadership. Although enhanced corporate reporting is a critical part of transparency, in itself it has limited impact on whether business is truly sustainable.

As UNCTAD highlights in Review of Good Practices on Enhancing the Role of Corporate Reporting in Attaining Sustainable Development Goals, reporting is a key part of attaining the SDGs. SDG 12 (target 12.6) specifically reflects this by encouraging companies, especially large and transnational companies, to adopt sustainable practices and integrate sustainability information into their reporting cycle.

This new goal will lead to a new demand on reporting—which should be channeled toward better quality and smarter reporting, particularly through the integrated reporting movement, and reporting that allows users to benchmark performance. Helpfully, the SDG Compass provides guidance on enhancing reporting on business activities that contribute to sustainable development. The Compass was developed jointly by the Global Reporting Initiative, the UN Global Compact, and the World Business Council for Sustainable Development.

But it is integrated thinking that underpins integrated reporting (or narrative reporting) and ultimately leads to resilient and sustainable organizations. While it can be fostered by improved reporting practices and processes, reporting alone cannot solve sustainable development challenges, and often does not lead to the purpose-based committed leadership that is needed for responsible business.

Embracing the SDGs fundamentally requires companies to be responsible for their actions—actions that are based on:

- the decisions that can have an impact on the long term direction of the company; and
- being aware of, and responding to, the organization's positive and negative impacts and ability to create value over time for providers of financial capital and other stakeholders.

The Private Sector is Falling Short

Responsible business requires business leaders who seek to direct organizations with a longer-term horizon in mind; it is not necessarily going to be achieved through more reporting. Over the last 15 to 20 years, the number of companies reporting on a wider range of non-financial matters has increased substantially. However, leadership on sustainability is at best stagnant.

In his article “Corporations, Sustainability, and Innovation: Early Results a Mixed Bag” Professor Robert Eccles reported on the sobering results of how companies are currently dealing with sustainability. For example, “Joining Forces: Collaboration and Leadership for Sustainability,” points out that many companies are not embracing the practices that will result in more sustainable corporations. The results of the survey also show that only 42% felt that their company’s board played a strong role in sustainability (it also showed a four-year downward trend in strong CEO commitment to sustainability).

Changing the Expectations on Company Directors

Turning this trend around requires winning hearts and minds. Transparency must be reinforced by a governance culture that leads to company directors being responsible for the way a company is directed and controlled, explicitly covering the long-term direction of the company.

The private sector’s contribution to the SDGs can, and should, be facilitated by the arrangements for corporate governance as implemented by governance codes and reinforced by companies’ law and stock market listing rules. Corporate governance, in substance over form, is the means to encouraging and enabling companies to embed sustainability issues into its strategy and the decisions it makes.

The Global Outlook for Changes to Governance Responsibilities

A few jurisdictions have already made changes to their corporate governance arrangements to extend the role of the board to focus on the sustainable success of the entity over the longer term. This is the direction that the International Corporate Governance Network has rightly taken with its Global Governance Principles, which state that:

The board of directors is accountable to investors and relevant stakeholders and responsible for protecting and generating sustainable value over the long term.

The UK Corporate Governance Code has been a leader in expanding the scope of director responsibility. The main principle under the role of the board is that:

Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.

The UK is not alone in moving corporate governance to a new level of expectation. Singapore’s Code of Corporate Governance also begins with a first principle stating that a board is collectively responsible for the long-term success of the company.

The seminal King Code of Corporate Governance for South Africa goes a step further with its first principle, which clearly points to a responsibility to the organization and its sustainability, as well as taking into consideration wider impacts:

Ethical Leadership and Corporate Citizenship: the need to direct strategy and operations to build a sustainable business and consider short- and long-term impacts of the strategy on the economy, society, and the environment.

The Swedish Corporate Governance Board has followed suit with its revised corporate governance code that includes a sustainability perspective as one of the tasks of the board of directors with the aim of ensuring its long-term capacity for value creation given its responsibility for oversight and internal controls.

These governance codes are placing responsibility squarely with boards to proactively oversee, as well as report on, the opportunities and risk that affect longer-term viability.

Placing explicit expectations on corporate leaders to foster a responsible business with a long-term perspective needs to be the centerpiece of all governance requirements. This can lead to real change in business actions that enhance an overall positive impact of the organization. Too few companies have directed their purpose, strategy, and actions toward achieving sustainability outcomes related to the SDGs.

Now is a time for focus on the expectations of boards through governance requirements as well as on how more transparency can shine a light on company performance and actions.

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GOOD GOVERNANCE AND THE FIGHT AGAINST CORRUPTION

BY VINCENT TOPHOFF, SENIOR TECHNICAL MANAGER, IFAC

World Bank President Dr. Jim Yong Kim wrote an inspiring blog on LinkedIn about the critical importance of good governance for all countries, arguing that "when [good governance] doesn't exist, many governments fail to deliver public services effectively; health and education services are often substandard; corruption persists in rich and poor countries alike, choking opportunity and growth."

Fortunately for the world, Dr. Kim sees a new wave of progress, driven by "the spread of information technology and its convergence with grassroots movements for transparency, accountability, and citizen empowerment." He subsequently provides a series of examples where progress indeed had been achieved. However, as "many challenges remain in fighting corruption and promoting good governance," he concludes his blog with a call to people in both developed and developing countries to share their experiences with anti-corruption or governance programs.

Through our interactions with professional accountants and others working in the public sector around the world, IFAC recognizes the need for more effective public sector governance. I posted a comment on Dr. Kim's blog citing the recently published International Framework: Good Governance in the Public Sector as a resource for other readers to encourage more effective public sector governance.

The Framework addresses many of the specific topics that Dr Kim talks about, for example, avoiding and tackling corruption; transparency and accountability; improving communication and information technology; and fighting poverty by ensuring that public sector entities achieve their intended outcomes while acting in the public interest at all times.

The Framework also emphasizes the fundamental importance for public sector entities to behave with integrity, demonstrate strong commitment to ethical values, and respect the rule of law. In addition, it urges public sector entities to:

- implement effective arrangements for determining their desired outcomes and what interventions are needed to achieve those outcomes;
- develop their leadership capacity;
- manage their risks and performance through robust internal control and strong public financial management; and
- implement good practices in transparency, reporting, and audit to deliver effective accountability.

No matter how good the Framework is, however, the proper application is the real challenge, because this is so often where the problems lie. To that end the Framework and its supplement also include application guidance, implementation tips, and examples.

We believe that the Framework will be a potent tool for public sector entities seeking to enhance their governance arrangements, win the battle against corruption, and reinforce transparency and accountability. What do think? What else can be done to enhance governance in the public sector?

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2	Taha Kalam	APFA-7286	57	Muhammad Rashid	APFA-7341
3	Muhammad Saleem	APFA-7287	58	Muhammad Jasir Rehmat	APFA-7342
4	Haziq Hussain	APFA-7288	59	Aqeel Alam	APFA-7343
5	Yasir Saeed	APFA-7289	60	Muhammad Jawad	APFA-7344
6	Jahangir Ahmed Kayani	FPFA-7290	61	Muhammad Ahmad	APFA-7345
7	Mazhar Abbas	APFA-7291	62	Tanveer Ahmed Abbasi	FPFA-7346
8	Shaikh Faisal Iqbal	APFA-7292	63	Maryam Iqbal	APFA-7347
9	Ahmad Saleem Anjum	APFA-7293	64	Zeeshan Khan	APFA-7348
10	Fatima Zafar	APFA-7294	65	Rehman Sadiq	APFA-7349
11	Tahseena Afrasayab	APFA-7295	66	Imran Iqbal	FPFA-7350
12	Muhammad Kamran Shahzad	APFA-7296	67	Ghazanfar Mehdi	FPFA-7351
13	Shahid Latif	APFA-7297	68	Muhammad Usman	APFA-7352
14	Hasan Usman Wasiq	APFA-7298	69	Hashim Zia	APFA-7353
15	Amjad Siddique	APFA-7299	70	Naeem Aslam	APFA-7354
16	Muhammad Ahmed Khakhi	APFA-7300	71	Muhammad Zeeshan	APFA-7355
17	Muhammad Hassan Sarfraz	APFA-7301	72	Hassan Saqlain	FPFA-7356
18	Muhammad Azhar	APFA-7302	73	Faisal Mahmood	APFA-7357
19	Kashif Shahzad	APFA-7303	74	Saleem Raza	APFA-7358
20	Zakir Hussain	FPFA-7304	75	Adnan Iqbal	FPFA-7359
21	Tariq Mahmood	APFA-7305	76	Muhammad Mazhar Khan	FPFA-7360
22	Hamza Hasan	APFA-7306	77	Muhammad Umair Ashiq	APFA-7361
23	Waris Shah	APFA-7307	78	Anila Khurshid Ahmed	APFA-7362
24	Tariq Aziz Lasi	FPFA-7308	79	Jamal Ahmad	APFA-7363
25	Muhammad Luqman	FPFA-7309	80	Shahab Ahmed	APFA-7364
26	Israr-Ul-Haq	FPFA-7310	81	Furqan Ahmed	APFA-7365
27	Noor Ali	APFA-7311	82	Hamza Hameed	APFA-7366
28	Izhar Ahmed Memon	APFA-7312	83	Muhammad Shahrukh	APFA-7367
29	Muhammad Asad	APFA-7313	84	Hafiz Abdul Rahim Baig	APFA-7368
30	Muhammad Aslam Javed	APFA-7314	85	Arslan Ali	APFA-7369
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32	Muhammad Nasir Munir Khan	APFA-7316	87	Sabteela Tosheen	APFA-7371
33	Asad Ali	APFA-7317	88	Muhammad Shayan Khan	APFA-7372
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37	Muhammad Adeel Raza	APFA-7321	92	Muhammad Ali Merchant	APFA-7376
38	Muhammad Salman	APFA-7322	93	Muhammad Ameer Hamza	APFA-7377
39	Danish	APFA-7323	94	Hassan Shahid	APFA-7378
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42	Muhammad Saqib Khalid	APFA-7326	97	Fareeha Lal	FPFA-7381
43	Atif Ahmad	APFA-7327	98	Saeed Ahmed	APFA-7382
44	Muhammad Amin	APFA-7328	99	Hassan	APFA-7383
45	Muhammad Usman	APFA-7329	100	Muhammad Atif	APFA-7384
46	Hafiz Muhammad Ali	APFA-7330	101	Saad Ali	APFA-7385
47	Habib Ur Rehman	APFA-7331	102	Firdous Bibi	APFA-7386
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50	Bilal Imran	APFA-7334	105	Nadeem Afzal	APFA-7389
51	Farhan Iqbal	APFA-7335	106	Muhammad Uzair	APFA-7390
52	Tanveer Akhtar	APFA-7336	107	Khan Afzal	APFA-7391
53	Muhammad Sanan Nazar	APFA-7337	108	Muhammad Naeem	APFA-7392
54	Saood Ahmed	APFA-7338	109	Muhammad Ashar Majeed	APFA-7393
55	Qaisar Rasool	APFA-7339	110	Muhammad Asim Khan	APFA-7394

Elevated from Associate to Fellow Members

S#	Name	Member#	S#	Name	Member#
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2	Babar Aziz	FPFA-2245	23	Sohail Mahmood	FPFA-5202
3	Shahid Mehmood	FPFA-2605	24	Malik Imran Ijaz	FPFA-5255
4	Wajid Shafiq	FPFA-3775	25	Muhammad Nadeem	FPFA-5326
5	Mobashir Shafiq	FPFA-3776	26	Zaheer Iqbal	FPFA-5379
6	Muhammad Awais	FPFA-3938	27	Usman Ijaz	FPFA-5412
7	Muhammad Yakood	FPFA-4022	28	Sherjeel Naj Mul Masood	FPFA-5480
8	Syed Khalid Saleem	FPFA-4104	29	Sajid Baloch	FPFA-5491
9	Mudassar Hussain	FPFA-4464	30	Adnan Ijaz	FPFA-5492
10	Adnan Akram	FPFA-4507	31	Muhammad Tayyab	FPFA-5505
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New International Public Sector Financial Accountability Index to Stimulate PFM Reform

At the Chartered Institute of Public Finance and Accountancy (CIPFA)'s 2017 Conference in Manchester, UK, the International Federation of Accountants (IFAC) and CIPFA announced the launch of the Public Sector Financial Accountability Index.

Developed jointly by IFAC, as part of its Accountability. Now. initiative, and CIPFA, with the Zurich University of Applied Sciences as knowledge partner, the index will be the first of its kind to provide an accurate global picture of public sector financial reporting quality.

In particular, the index will provide a picture of the extent of accrual accounting and adoption of International Public Sector Accounting Standards. It will also aim to provide a better understanding of accounting and budgeting reform plans, and help stimulate public financial management (PFM) reforms.

The main output will be a regularly updated country-by-country public database. It will initially focus on central government, and expand over time to include state/provincial and local government.

The index will initially be populated with research data on individual countries and regions, collected by various international institutions. National standard setters will be invited to review, comment upon, and supplement the information, after which the first set of data will be made available in November 2017.

"The Public Sector Financial Accountability Index will provide better insight into the extent of global public financial reporting reform, and stimulate further reform," said Fayez Choudhury, IFAC Chief Executive Officer.

"High-quality accrual-based information that captures the entire picture of a government's finances and its funding commitments, both now and in the future, is the foundation for strong public financial management," said Rob Whiteman, CIPFA CEO. "It strengthens economies, and, most importantly, builds trust with citizens. CIPFA is proud to be supporting the development of this index, which we believe will be a relevant and timely contribution to global PFM reform."

IPSASB Seeks Comments on Social Benefits Accounting Proposals

The International Public Sector Accounting Standards Board® (IPSASB®) has released for public comment Exposure Draft (ED) 63, Social Benefits, which addresses accounting for the delivery of social benefits, such as retirement, unemployment, and disability.

These proposals aim to improve consistency, transparency, and reporting by public sector entities of social benefit schemes, which account for a large portion of government expenditure in most jurisdictions.

Existing International Public Sector Accounting Standards® (IPSAS®) do not provide requirements or guidance on how to account for social benefits, leaving users without the information needed to assess government performance.

"Social benefits are a major expenditure for most governments, and the absence of an IPSAS standard for these programs is a noted gap in the Board's literature," said IPSASB Chair Ian Carruthers. "The proposals in ED 63 will enhance accountability and transparency and improve decision making in this critical public interest area."

ED 63 defines social benefits and proposes requirements for the recognition and measurement of social benefit schemes. It also proposes disclosure requirements that provide additional information for users to evaluate the effect of social benefits on future government finances.

IAESB Proposes Revised Continuing Professional Development Standard to Focus More Fully on Learning Outcomes

The International Accounting Education Standards Board (IAESB) today released a proposed revision of International Education Standard (IES) 7, Continuing Professional Development, that places greater emphasis on learning and development directly related to an accountant's professional responsibilities rather than simply focusing on a minimum number of hours of continuing professional development (CPD).

The proposed revisions enhance the current standard and encourage professional accountancy organizations look at how their CPD systems are measured, monitored, and enforced. CPD applies to all professional accountants and supports their development and maintenance of professional accountancy competence to deliver high-quality services for their clients, employers, and other stakeholders.

"Many CPD programs will benefit from a more innovative approach to learning and development given technological and educational advances," said Chris Austin, IAESB Chair. "This proposed standard embraces innovation and changes in learning by enhancing existing requirements and focusing recommended measurement approaches on learning while emphasizing the range of available approaches."

In addition to professional accountancy organizations, this proposed standard will help educational organizations, employers, regulators, government authorities, and other relevant stakeholders who are involved in, or support, professional accountants' continuing development.

IESBA Enhances International Code of Ethics; Proposes New Guidance for Professional Skepticism and Professional Judgment

The International Ethics Standards Board for Accountants® (IESBA®) today released for public comment the Exposure Draft, Proposed Application Material Relating to Professional Skepticism and Professional Judgment. The proposed guidance for the first time links key concepts in the IESBA Code of Ethics for Professional Accountants™ (the Code) and clarifies their application, namely:

- how compliance with the fundamental principles in the Code supports professional skepticism by auditors and assurance practitioners for audit, review, and other assurance engagements; and
- the importance of professional accountants obtaining a sufficient understanding of the facts and circumstances known to them when exercising professional judgment in applying the conceptual framework underpinning the Code.

"Compliance with the fundamental principles and professional skepticism are essential obligations of professional accountants for audit and other assurance engagements," said IESBA Chairman Dr. Stavros Thomadakis. "We are articulating for the first time the linkage between the two, making clear the important role that the fundamental principles play in enabling auditors and assurance practitioners to meet the public's expectations about exercising professional skepticism."

The proposed guidance addressing the fundamental principles and professional skepticism responds to a recommendation from the tripartite Professional Skepticism Working Group established by the IESBA, the International Auditing and Assurance Standards Board (IAASB), and the International Accounting Education Standards Board (IAESB).

"While developing this guidance, the IESBA also emphasizes the importance of professional accountants not simply accepting information at face value when exercising professional judgment," noted IESBA Technical Director, Ken Siong.

Once finalized, this material will be included in the clarified and restructured Code that the IESBA plans to complete by the end of 2017. Beyond this, the IESBA will continue to explore further issues relating to professional skepticism in close coordination with the IAASB and IAESB, and in consultation with stakeholders.

IESBA Proposes Revised Ethical Requirements Prohibiting Improper Inducements

The International Ethics Standards Board for Accountants® (IESBA®) today released for public comment the Exposure Draft, Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements. The proposals strengthen the Code of Ethics for Professional Accountants (the Code) by clarifying the appropriate boundaries for the offering and accepting of inducements, and by prohibiting any inducements with intent to improperly influence behavior.

The proposed comprehensive framework covers all forms of inducements and applies to both professional accountants in business and professional accountants in public practice. It also provides enhanced guidance on the offering and accepting of inducements by professional accountants' immediate or close family members.

"Inducements with intent to improperly influence behavior are a very major concern for the public interest, and they include the issues of bribery and corruption. Inducements made with improper intent are unacceptable and should be prohibited," said IESBA Chairman Dr. Stavros Thomadakis.

Among other matters, the proposals also require professional accountants to address any threats to compliance with the fundamental ethical principles in accordance with the Code's conceptual framework where there is no improper intent.

"The development of the proposals was informed by input from Transparency International UK based on their experience and insights in the area of bribery and corruption," noted IESBA Technical Director Ken Siong. "When completed, the provisions will constitute the last piece of the substantively revised and restructured Code."

IPSASB Seeks Views on Updating Accounting Approaches for Revenue and New Approaches for Non-exchange Expenses

The International Public Sector Accounting Standards Board® (IPSASB®) has released a Consultation Paper (CP), Accounting for Revenue and Non-Exchange Expenses.

The IPSASB seeks constituent views on potential recognition and measurement approaches for revenue and non-exchange expenses. Conceptually robust and understandable accounting treatments of taxes, transfers and other major sources of public sector income as well as expenses on universally accessible and collective services are fundamental to high-quality financial reporting. The publication of IFRS 15, Revenue from Contracts with Customers, by the International Accounting Standards Board, has provided the IPSASB with an impetus to consider its approaches both to commercial transactions and public sector specific transactions. The CP also considers recognition approaches for significant non-exchange expense transactions, such as the provision of education, healthcare and defense.

"This Consultation Paper is an important first step in addressing some key

PIPFA EXAMINATIONS WINTER 2017

SPECIAL CERTIFICATE OF MERIT

S.No	Roll No.	Name	Level	Sector
1	3200538	Habib Ahmad	Level-3	Punjab Govt.

CERTIFICATES OF MERIT

S.No	Roll No.	Name	Paper	Sector
1	1108766	Pir Mehar Ali Shah	Quantitative Methods	Corporate
2	1109106	Shuja Ur Rehman	Basic Accounting	Corporate
3	1207375	Naseer Ahmad	Audit, Assurance and Ethics	Corporate
4	2200319	Ahsan Raza	Service & Fin. Rules	AGP
5	3200437	Muhammad Shabbir	Civil Service Rules (Practical)	PG
6	3200465	Mohammad Inaam	Civil Service Rules (Practical)	PG
7	3200510	Ghulam Mustafa	Service & Fin. Rules(Practical)	PG
8	3200538	Habib Ahmad	Business Communication & Report Writing	PG
9	3200542	Muhammad Ishaq	Management Accounting	PG
10	3200556	Sajid Amin Khan	Management Accounting	PG
11	3200598	Irshad Ahmad Jiger	New Accounting Model	PG
12	3200604	Hassan Raza Gul	Business English and Behavioral Studies	PG
13	3200632	Naeem Rasheed	Financial Audit Manual	PG
14	4200215	Sajjad Ahmad	Military Accounting Procedures	PMAD
15	4300253	Allah Bakhsh	Military Accounting Procedures	PMAD
16	4900013	Aziz Ullah	Works (MES) & Stores [PMAD]	PMAD
17	4900051	Khurram Shahzad	Pay, Pension & TA Rules	PMAD

PIPFA Journal Invites You

Dear Valued Members/Students,

PIPFA Journal is the Official Publication of the Institute and is being published to keep abreast its members and students with the latest developments in Accounting Industry. We would welcome articles from our valued members and students for forthcoming issue on **"Performance Management of Public Sector** and **Cloud Based Accounting".**

Other Possible Categories:

- Economic Recovery
- Performance and Financial Management

Guidelines for Submission of Articles for PIPFA Journal

1. Articles must be focused in flow with the theme, passionate, compelling, developed gracefully, concrete, well suited for the readers and in compliance with ethical norms of the society.
2. Criticism on official policies of any Governments/Organizations will be discouraged.
3. If the article is based upon prior work of others; it is mandatory to quote references of websites and published articles.
4. Translation of a previously published article/paper is not permissible.
5. Articles should be simple with correct punctuation and grammar.
6. Article's words limit should not exceed 2000 words.
7. All articles shall be checked for plagiarism with the help of specialized software and tolerable limit shall not exceed 20%.
8. PIPFA will not publish any text/information which harms the image of the Institute and the nation.
9. Editorial Sub-Committee has the right to amend submitted article by dropping criticism and controversial statements or details as needed without the consent of the author.
10. The Publication & Seminar Committee reserves the right to accept, reject or moderate articles, written by the Author.

Kindly send us your articles on or before June 10, 2018 so that same can become a part of the PIPFA Journal. Articles received after due date will be used for the successive volume upon approval of the Publication Committee. Members and Students are requested to send their articles at following email address at their earliest:

member@pipfa.org.pk

We are sincerely looking forward to receiving the articles.

Thanking You
Member's Affairs Department

PIPFA

PAKISTAN INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS

(A Company set up under Section 42 of the Companies Ordinance, 1984)

Constituted By: **AGP, ICAP, ICMAP**

Be a Public Finance Accountant

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Last Date of Registration 31st July 2018

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Entry Eligibility required for admission is Intermediate, A-Level, AFD or any other recognized qualification equivalent to Intermediate

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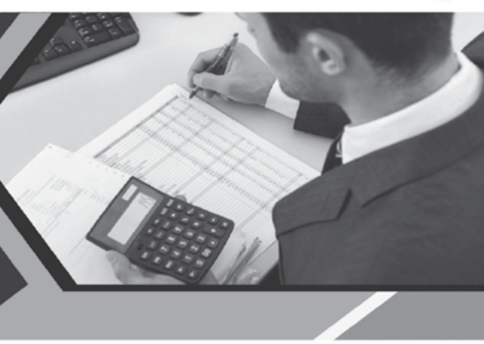

ABOUT PIPFA

Professional Qualification: Being an Associate member of International Federation of Accountants (IFAC), PIPFA Qualification is recognized all over the world.
Market Demand: PIPFA being a qualification for middle level management has four times higher demand than other professional qualifications.
Course of Study: PIPFA Course of Study is according to the policies and standards of International Federation of Accountants' recommendations.
PIPFA Centers: PIPFA and its approved Coaching Centers cover all major cities of Pakistan and students of remote areas can avail coaching exemption.
Lower Fee Structure: PIPFA fee structure is lower than other Professional Qualifications.

Salient Features of PIPFA Qualification:

- Entitlement for Qualification pay, reimbursement of Members Annual Subscription etc. to PIPFA Public Sector Members.
- On qualifying Final Level, one may apply for the management level jobs like Financial Advisor / Financial Officer.
- Students may join Audit Firms as Audit Trainee or Internship in Financial Institutes / Organizations.

Registration Fee Rs. 3000/-

EXEMPTIONS AVAILABLE TO			
B.Com	BBA BSC	M.Com MBA	ICAP
ICMAP	CIMA	ACCA	and other IFAC Member/ Associate Bodies

EXEMPTIONS AVAILABLE AFTER PIPFA QUALIFICATION AT			
ICMAP	CIMA UK	ACCA UK	ICSP
ICAP	CIPFA UK	*conditions apply on all exemptions	

Registration Forms are available at PIPFA Offices and PIPFA Website

web

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For Public Sector, PIPFA qualification is mandatory for promotion to / or confirmation on the position of BPS-17.

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Islamabad
House # 2-A, Street 14, Kohistan Road, F-8/3, Islamabad. Tel: 051-2851572, Cell: 0333-2166132
pipfaisl@pipfa.org.pk

Faisalabad
Ajmal Center-1, 289-1, Batala Colony, Faisalabad. Tel: 041-8500791, 041-8530110 | 0313-7641188
pipfafsd@pipfa.org.pk

HAWK

E-FILING WORKSHOP

PIPFA Karachi Branch Committee organized a Workshop on “E – Filing of Tax Return” on August 05, 2017 at Institute of Cost Management Accountants Pakistan (ICMAP), Karachi. Mr. Ejaz Ahmed Bhutta, CA and Tax Manager at Haroon Zakaria & Co., Mr. Khalid Memon, Tax Consultant, and Mr. Muhammad Hamza from Internal Compliance, were the Presenters of the Workshop.

PIPFA Faisalabad Branch Committee has arranged a Seminar on “E-Filing Amendments Made in Income Tax Law through Finance Act, 2017 “on September 23, 2017 at Kohinoor Marquee Faisalabad. Session speaker was. Mr. Nadeem Butt , FPFA, FCA Proprietor, Nadeem & Co. Chartered Accountants.

PIPFA Islamabad Branch Committee of Pakistan Institute of Public Finance Accountants (PIPFA), organized a seminar on “E-filing of Tax Returns/-Statements” on October 27, 2017 at PIPFA Office Islamabad. Mr. Agha Mujeeb Ahmed Khan, FPFA, FCA, Mr. Zahid Farooq, FPFA, FCA, FCMA, and Syed Muhammad Rashid Shah, FPFA, FCMA were the Presenters of the Seminar.

The shields were distributed to esteemed Presenters, honorable Session Chairman and distinguished and honorable Chief Guest to recognize and appreciate their kind support and effort of sharing knowledge with the PIPFA fraternity. The workshop was warmly welcomed and appreciated by the audience from diversified background.

KARACHI

FAISALABAD

ISLAMABAD

SEMINAR ON PUBLIC PROCUREMENT RULES & REGULATIONS

Islamabad Branch Committee of Pakistan Institute of Public Finance Accountants (PIPFA), organized a seminar on "Public Procurement Rules & Regulations" on August 04, 2017 at Islamabad Stock Exchange Auditorium. Mr. Ali Asghar, Director General, Law & Regulations, Pakistan Telecommunication Authority (PTA) was the Presenter of the Seminar.

The Session Chairman was Mr. Sajjad Ahmad, General Manager (Cost) at PTCL and former Board Member of Pakistan Institute of Public Finance Accountants (PIPFA), Senior Fellow Member of Institute of Cost & Management Accountants of Pakistan (ICMAP).

Mr. Zahid Farooq, Fellow member of PIPFA, ICAP & ICMAP welcomed students and members of PIPFA & other professional bodies and appreciated the efforts of members of IBC and PIPFA Islamabad Office for arranging such an informative seminar.

At the end Mr. Sajjad Ahmad, presented vote of thanks to session Speaker, PIPFA Members, guests, PIPFA Branch Committee and PIPFA Secretariat. He also thanked the participants for their active participation. This seminar was followed by a very interactive question and answer session which showed keen interest of the participants.The event was attended by a significant number of participants. The seminar was followed by dinner.

The shields were distributed to Presenter, honorable Session Chairman, Member IBC to recognize and appreciate their kind support and effort of sharing knowledge with the PIPFA.

SEMINAR ON TAXATION OF STARTUPS IN PAKISTAN

The PIPFA Lahore Branch Committee arranged a Seminar on "Taxation of Startups in Pakistan "on September 16, 2017 at PIPFA Campus Lahore. Session speaker was Mr. Anthony Cyril Williams, FPFA, Tax & Finance Consultant, Secretary PIPFA Lahore Branch Committee.

Mr. Muhammad Sharif, FPFA ,FCMA Member PIPFA BOG was the Chief Guest of this session. Event was started with recitation from Holy Quran by Mr. Muhammad Naeem Akhtar. Mr. Zahid Hussain FPFA, ACA Convener Lahore branch Committee welcomed the respected guests and members.

The learned speaker delivered presentation and created awareness about Startups, especially Taxation of startups and how they have been defined in the Income Tax Ordinance 2001. The presentation covered all the aspects of taxation of startups including their exemption and the new taxation measures of taxing e-commerce businesses. This presentation was followed by a very interactive question and answer session which showed keen interest of the participants.

Mr. Zahid Hussain Zahid, Convener PIPFA Lahore Branch Committee, presented vote of thanks to Chief Guest, speaker, Members, guests, Branch Committee and the organizing team of PIPFA Lahore; and encouraged the efforts of Branch Committee for arranging an informative and interactive event. He also encouraged the participants for their active participation.

The event was attended by large numbr of participants. Shields were distributed to the distinguished Chief Guest and Speaker.

(LAHORE)

SEMINAR ON TAXATION OF STARTUPS IN PAKISTAN

The PIPFA Faisalabad Branch Committee and University of Agriculture Faisalabad jointly organized a Seminar on “Taxation for Startups & Consultancy Services in Pakistan“ on November 23, 2017 at New Sanate Hall University of Agriculture Faisalabad. Session speaker was Mr. Anthony Cyril Williams, FPFA, Tax & Finance Consultant, Secretary PIPFA Lahore Branch Committee.

Prof. Dr. Muhammad Iqbal Zafar, Vice Chancellor UAF was the Chief Guest of this session. Event was started with recitation from Holy Quran and Naat-e-Rasool (SAWW). Prof. Dr. Zahir Ahmad Zahir, Director ORIC, welcomed the respected guests, members and Senior Faculty members of UAF.

The learned speaker delivered presentation and created awareness about Startups, especially Taxation of startups and how they have been defined in the Income Tax Ordinance 2001. The presentation covered all the aspects of taxation of startups including their exemption and the new taxation measures of taxing e-commerce businesses. This presentation was followed by a very interactive question and answer session which showed keen interest of the participants.

The Honorable Chief Guest Prof. Dr. Muhammad Iqbal Zafar, Vice Chancellor UAF who expressed his views and encouraged the efforts of PIPFA and UAF, for arranging an informative & interactive event.

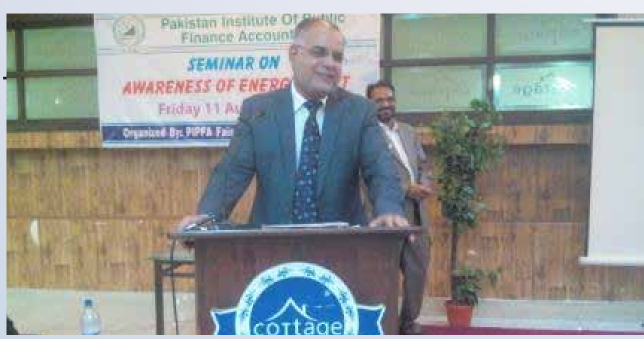
Mr. Umar Saeed, Convener PIPFA Faisalabad Branch Committee, presented vote of thanks and delivered presentation on Role of PIPFA in Public Sector Accounting.

The event was attended by large number of participants. Shields were distributed to the distinguished speaker.

(FAISALABAD)

SEMINAR ON AWARNESS OF ENERGY AUDIT

Faisalabad Branch Committee of PIPFA organized a seminar on “Awareness of Energy Audit”, which was held on Friday, August 11, 2017 at Cottage Marquee, near Punjab College for Boys, Jaranwala Road. Engr. Dr. Zahoor Sarwar, founding Director of Research Tech (Pvt) Ltd was the speaker of the session.



SEMINAR ON QUICK BOOK PRO

PIPFA Faisalabad Branch Committee and CPD committee of ICMAP, Faisalabad jointly organized a Workshop on “Quick Books Pro" on Saturday & Sunday 26th and 27th August, 2017 at ICMA Pakistan, Faisalabad Campus. Mr. Ishtiaq Ahmed, FCMA was the trainer of the workshop. Mr. Mohammad Iqbal Ghori, FCMA President ICMA Pakistan was the guest of honor of the event.



SEMINAR ON COMPANIES ACT 2017

The Pakistan Institute of Public Finance Accountants (PIPFA) Karachi Branch Committee organized an interactive CPD Seminar on Companies Act, 2017 at Muhammad Ali Jinnah University, Karachi on September 16, 2017. Barrister Khurram Rashid and Sayyid Mansoob Hasan were the Seminar Presenters.




PIPFA EVENTS

SEMINAR ON EXAMINATION TECHNIQUES

In the pursuance of its past practices, PIPFA Karachi, Lahore, Faisalabad & Islamabad organized a seminar on Examination Techniques prior to the Winter Exminations-2017 in their respective cities. Mr. Ghulam Mustafa was guest speaker in Karachi, Mr. Zahid Hussain Zahid in Lahore, Ms. Sehar Iqbal in Faisalabad and Mr. Sajid Ali in Islamabad. Guest Speakers delivered presentation and presented the techniques of solving the paper and how to overcome general mistakes made by students in answering the question. This presentation was followed by a very interactive question and answer session which showed keen interest of the students.

(KARACHI)

(LAHORE)

(ISLAMABAD)

(FAISALABAD)

5TH GRADUATION CEREMONY

The Pakistan Institute of Public Finance Accountants (PIPFA), Karachi Chapter graciously commemorated its 5th Graduation Ceremony at ICMAP Corporate Office, Karachi here on December 09, 2017 in order to award Certificates to PIPFA Qualified and Merit Certificates to Merit Holders. Sayyid Mansoob Hasan, Vice President, PIPFA symbolized the propitious event. Mr. Muffasar Atta Malik, President, Karachi Chamber of Commerce & Industry was the eminent Chief Guest of the occasion and Mr. Farrukh Ahmed Hamidi, Accountant General of Sindh esteemed the ceremonial occasion as distinguished Guest of Honor.

The event was started with the recitation of Holy Qura'n by Mr. Hassan Amin Shaikh, Member PIPFA Karachi Branch Committee.

Sayyid Mansoob Hassan welcomed the distinguished guests, students and parents and presented the views on Accrual Accounting System. He proposed the changes in current accounting system in the country and demanded for the digitalization of whole system of accounts.

Mr. Farrukh Ahmed Hamidi, Accountant General of Sindh discussed the trends in International Accounting System and proposed an effective mechanism for the improvement of current accounting system in the country. He appreciated the efforts of PIPFA for playing its role in the development of Professional Accountants that positively contribute to the industrial and economic growth.

Mr. Muffasar Atta Malik, President, Karachi Chamber of Commerce & Industry accredited and congratulated PIPFA for organizing such a magnificent event. The distinguished Chief Guest also congratulated the PIPFA Qualified and wished them success for their future endeavor.

The event was attended by a larger number of PIPFA Qualified, Merit Certificate Holders and Guests.

4TH GRADUATION CEREMONY

Pakistan Institute of Public Finance Accountant (PIPFA) celebrated the 4th Graduation Ceremony for its Gold medalist merit holder and Qualified Students at University of the Punjab .

The Chief Guest of the ceremony Mr. Imran Iqbal, Addl. Auditor General of Pakistan and Dr. Zaffar Mueen Nasar, Vice Chancellor University of Punjab, and Mr. Muhammad Ikram Khan, President PIPFA, were guests of honor of the ceremony. Besides them other dignitaries of Govt. of Pakistan, Govt. of Punjab,

PIPFA BOG Members, Past Presidents PIPFA, Faisalabad Branch Committee Faculty Member of PIPFA and Graduates participated in the event.

The Chief Guest emphasized upon the need of professional development of human resource in accounts, finance and auditing. Addressing the participants, the President PIPFA while giving progress of PIPFA shared with the participants of Public Finance Accountants in Public Sector organization and highlighted the vacuum of professional in these disciplines in Pakistan and stressed upon character building.

Mr. Mirza Munawar Hussain FPFA, FCMA, former president PIPFA presented vote of thanks to the Chief Guests, Guests of Honor, BOG PIPFA, Executive Director PIPFA, Lahore Branch Committee and all guests from Public Sector ICAP, ICMAP and the organizing team of the graduation ceremony.

24TH ANNUAL GENERAL MEETING

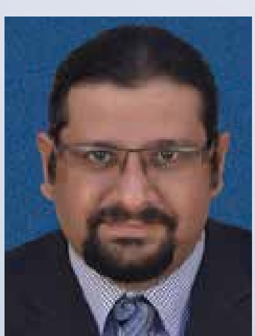
The 24th Annual General Meeting of Pakistan Institute of Public Finance Accountants was held on Saturday, November 04, 2017 at ICAP Office 155-156, West Wood Colony Thokar Niaz Baig, Raiwind Road Lahore, connected through video conference with ICAP offices at Karachi, Islamabad and Faisalabad. The overall financial position and growth of the institute was reviewed and suggestions from Members were put forward for increasing CPD activities and engagement of Members in institute's activities to maximum level. The annual accounts were approved by the Board and appointment of new auditors for financial year 2018-19 was formalized. Mr. Sajid Hussain (FPFA-04), Mr. Muhammad Sharif (FPFA-87) and Mr. Usman Ahsan (FPFA-2375) were declared elected unopposed as Member of Board of Governors, PIPFA for a term of three years as per Clause 29 (4) of Memorandum Articles of Association in 24th Annual General Meeting. The Board praised the role and efforts of PIPFA Branch Committees undertaken for the professional development and growth of Members and PIPFA respectively. The President commended the efforts of PIPFA Members for the progression of Institute on national level. Strategic plans were devised and presented by the Board for the promotion of PIPFA to Corporate Sector organizations.

The contributions, struggle and performance of Board of Governors were appreciated by the Members present at AGM.

PIPFA ELECTED NEW OFFICE BEARERS FOR THE YEAR 2018

The Board of Governors of Pakistan Institute of Public Finance Accountants has elected New Office Bearers for the year 2018, in its 119th meeting held at PIPFA Corporate Office, Karachi. Mr. Khawaja Ehrar-Ul-Hassan has been elected as President. Mr. Khawaja Ehrar-Ul-Hassan is also serving as Head of Compliance & Legal in Bank Islami Pakistan. Further, BOG elected Mr. Muhammad Ali Latif as Vice President, Mr. Usman Ahsan as Secretary, Mr. Hassan Saqlain as Treasurer and Mr. Sajid Hussain as Joint Secretary of the institute for the year 2018.

Mr. Kh. Ehrar-Ul-Hassan
President



Mr. Muhammad Ali Latif
Vice President

Mr. Usman Ahsan
Secretary

Mr. Hassan Saqlain
Treasurer

Mr. Sajid Hussain
Joint Secretary

PAKISTAN INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS

Constituted By ICAP, ICMAP & AGP

Associate Member of IFAC International Federation of Accountants

PIPFA MEMBERSHIP PROGRAM

PIPFA Membership Program is intended to uphold and back the growth of PIPFA Members subsequently adding value to the organizations they work for.

PIPFA DESIGNATIONS

- Associate Public Finance Accountant (APFA)
- Fellow Public Finance Accountant (FPFA)

Be a Certified Member & experience professional development!

BENEFITS

- Entitlement for using designatory letters APFA & FPFA
- CPD through PIPFA Journal, Training Workshops, Seminars and Conferences
- Opportunities to avail recognition in International Accountancy Bodies including Affiliate membership of CIPFA-UK
- Opportunities to interact at the national level with the elite accounting community comprising Public Finance Accountants, Chartered Accountants and Cost & Management Accountants
- Professional activities like participation in Branch Committees, Board of Governors' election and general development of accounting professionals

DESIGNATION	ELIGIBILITY	REGISTRATION FEE
APFA	PIPFA/CA/CMA/SAS/ APE Qualified or CA- PE-I or Mod-E/CMA Professional-III/ CMA Stage/Semester-5 Part Qualified or ACCA/CIMA Members with prescribed years relevant experience	Rs. 5,000
FPFA	Standing APFA for 05 Years or FCA / FCMA / FPOE	Rs. 7,400

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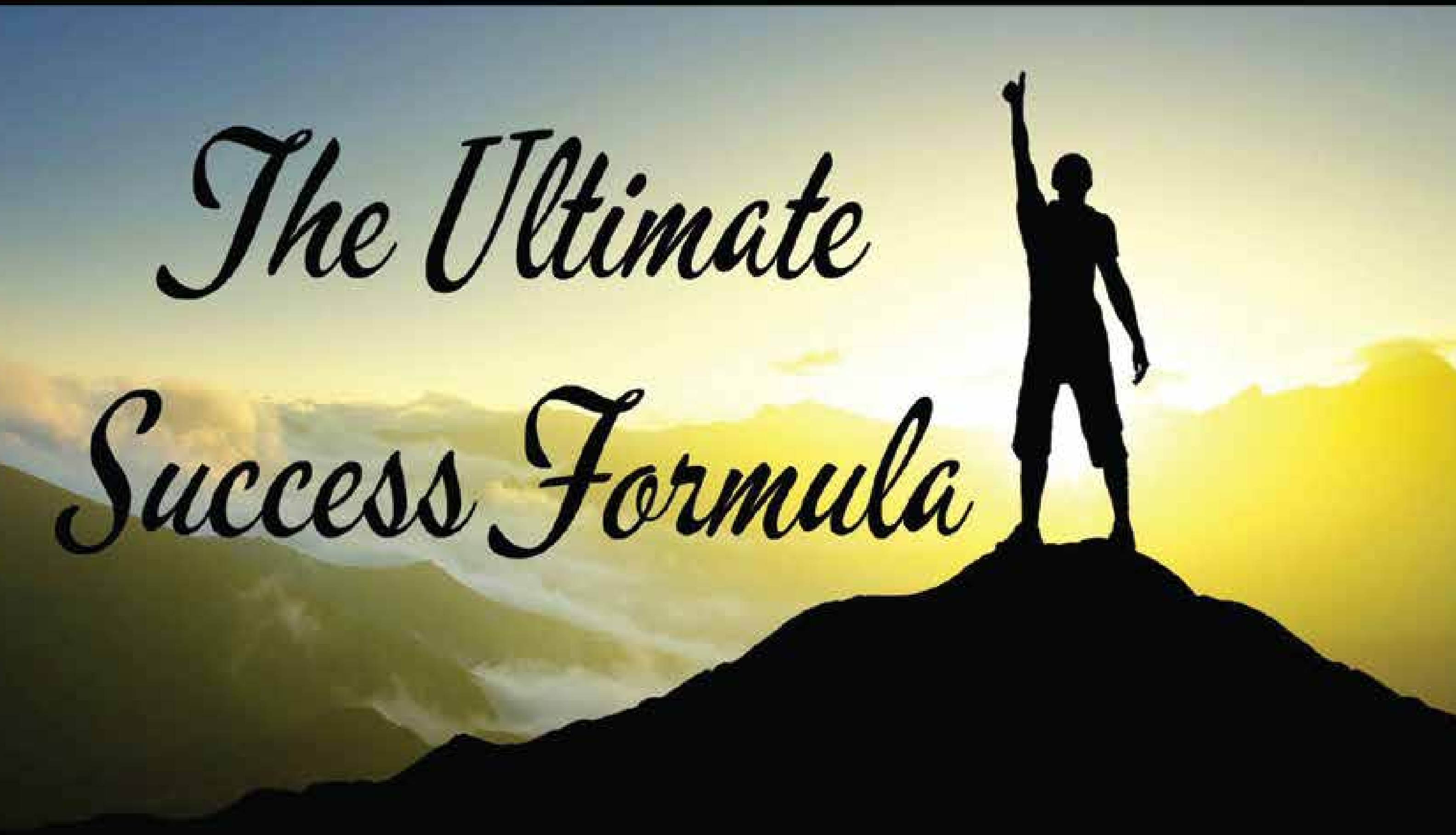

PIPFA

NURTURING WINNING MINDSET