



PIPFA

**Pakistan Institute of
Public Finance Accountants**

*A professional accounting body established by ICAP,
ICMAP & Auditor General of Pakistan
Associate Member of International Federation of Accountants (IFAC)*

NEWSLETTER

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Corporate Sector

Insurance Sector: The Securities & Exchange Commission of Pakistan (SECP) has introduced Code of Corporate Governance for insurance companies with the objective to promote good business practices, instill confidence of policy holders and encourage more stable and long-term development of insurance industry in Pakistan. The Code has been developed on the lines of the Code for the listed public companies. The salient features of the Code include setting up of underwriting, claims settlement, re-insurance and co-insurance committees as well as audit committee, internal audit and control systems, mandatory rotation of auditors after 5 years, restriction on auditors as well as on appointed actuaries to hold, purchase, sell or take any position in shares of the company. SECP is confident that the Code would help achieve transparency, capacity-building and accountability in the insurance sector.

SECP has also provided extensive coverage to the insurance sector on its web site: www.secp.gov.pk. It includes Insurance Ordinance, Insurance Rules, glossary of insurance terms, history of insurance, overview of insurance industry, list of insurance companies and surveyors in Pakistan etc. There is also an online Complaint Form for registering the complaints of the policy holders so as to arrange a just and speedy resolution of their complaints. The insurance division in SECP was created after the promulgation of the Insurance Ordinance 2000.

Electronic Stock Exchange: SECP has allowed PEX Ltd. to operate the first Electronic Communication Network (ECN) as an automated trading system that would function as the forth stock exchange of the country. The operators would have to fulfill a number of conditions including the provision of an adequate regulatory model with provisions regarding regulations for trading, qualifications of membership, constitution and powers of the governing body, installation of a satisfactory risk management framework etc. in addition to the presence of adequate technology. The ECN will provide investors with enhanced flexibility, secure trading since the buyer and the seller will deal in pre-verified trade and reduce the cost of trading. It would add to the liquidity of the market and also compete with the established securities exchanges. The presence of both the shares and the money in the trading would minimize the role of 'badla'. The ECN would be free to trade in shares of companies that are already listed with the stock exchanges and can enlist new companies subject to fulfillment of the listing requirements of SECP.

It would take some time in actual functioning of the ECN. However, the existing stock exchanges and the brokers have not welcomed the move. They think the arrangement was made in haste and not warranted in the existing circumstances when the stock exchanges are already moving for the electronic trading. The ECN would fulfill one of the conditionality of Asian Development Bank's non-bank financial market governance programme loan 2002-05, which required stock

exchanges and the SECP to develop a comprehensive plan to encourage integration of stock exchanges and to facilitate the setting up of ECN's and ATSS (Automated Trading Systems) for establishing a national market. In the recent past SECP has been insisting stock exchanges to demutualization in order to reduce the dominant role of the stock brokers in the management of stock exchanges and enhance those of other stakeholders.

SECP's Annual Report: SECP issued its third annual report for 2001-2002. Some highlights are:

- ◆ Development of Code of Corporate Governance for listed companies and its implementation.
- ◆ Listed companies directed to: (a) publish quarterly financial statements (b) facilitate quality control reviews of auditors by permitting the release of audit working papers (c) refrain from engaging their auditors for other services except those specifically permitted and (d) rotate the firm of auditors after every 5 years.
- ◆ By June 2002, a total of 38 out of 41 IASs had been adopted.
- ◆ It was decided that an auditor found guilty of professional misconduct would not be allowed to audit the accounts of listed companies for a period up to 3 years.
- ◆ Cleaning up of the corporate registration records through regularization of the default of private and non-listed public companies in reporting requirements and facilitate dormant companies exit out.
- ◆ Regulation of Non-bank Finance Companies (NBFCs)
- ◆ Impeding issues in the way of development of securitization and corporate debt resolved.
- ◆ Extensive enforcement and monitoring activities brought corporate discipline and compliance with the regulations.

The future agenda of the Commission includes continued efforts to: (a) deepen the market and improve risk management at the exchanges (b) further strengthen audit practices and enforce IASs (c) clarify, reinforce, and enhance standards of corporate governance (d) facilitate a vibrant primary market with strong underwriting and distributive capacity (e) develop and strengthen the mutual funds, the pension funds and the insurance industry to provide the market institutional underpinning (f) encourage on-line trading, Electronic Communication Networks and Alternate Trading Systems and develop a regulatory framework for on-line trading (g) develop and implement a phased program for replacement of carry-over transactions or "Badla" by margin financing and futures contracts and (g) further strengthen the institutional capacity of the Commission.

Economy

Mid-Year Review: The Highlights of Mid-Year Review of Economic Performance for fiscal year 2002-2003 observes that "Notwithstanding subdued weak economic outlook, sluggish global trade, rising international price of oil, and uncertainty arising out of the threat of war in Iraq, Pakistan's economy has once again showed remarkable resilience." Some of the highlights of performance during the period are:

- ◆ 2.7% growth target for agriculture is likely to exceed. Barring cotton (likely to be 4.7% lower) production of rice, sugarcane and wheat would be higher in the range of 8-10%. Industrial production grew by 8.5%.
- ◆ Tax Collection at 239 billion (previous Rs. 207 billion) against full year's target of Rs. 461 billion. During first 7 months exports at \$6.141 billion (previous \$ 5.158 billion) grew by 19.1% and imports at \$6.853 billion (previous \$ 5.730 billion) grew by 21.9%. Trade deficit was \$711 million (previous \$ 573 million).
- ◆ Current account posted surplus of \$1.2 billion (previous \$0.297 billion). Worker's remittance exceeded \$ 2.5 billion in 7 months (\$ 1.16 billion in previous period) and likely to reach \$4.3 billion

during the year, USA emerged as the single largest source with 30% share.

- ◆ Pak Rupee appreciated by 3.4 % while foreign exchange reserve approached \$10 billion
- ◆ inflation at 3.5% in 7 months (previous 3.2%) remained below the target of 4% for the year.
- ◆ Money supply grew by 9.4% against the target of 10.8% for the whole year despite massive inflow of foreign exchange.
- ◆ Interest rates and banks' spread declined significantly. Weighted average lending rate of commercial banks was 10.31% in December 2002 against 14% in June 2001 and the deposit rate was 3.8% against 6.2%.
- ◆ Domestic debt increased by Rs.11.9 billion or 0.7% over end-June 2002.
- ◆ External debt and foreign liabilities reduced by \$200 million during the first half of the year.
- ◆ KSE 100-share index rose from 1,770 in June 2002 to 2,700 at the end of 2002.

Financial Sector

Mobile Banking Regulation: The microfinance institutions can undertake mobile banking operations to reduce cost and increase outreach of microfinance services. The operation however has inherent risks both for the institutions and their clients and the general public. To mitigate the risks associated with this activity, the State Bank of Pakistan (SBP) has issued guidelines for the mobile banking operations of Microfinance banks and institutions. The guidelines prepared in consultation with the stakeholders will come into force with immediate effect. The guidelines provide for opening of Service Centers within a specified radius of the licensed branch, with prior permission in writing from SBP. The operation shall be designed in a way, which ensures cost effectiveness and financial viability of the operation. The service centers shall have minimum infrastructure manned by 2-3 bank staff and shall interalia be mandated to create awareness in the area about banks' products, form community organizations/groups and provide loans to the clients. The guidelines cover areas such as strategy and plans, operations, security, audit and control.

Pensioners Benefit Account Rules: The Government has issued Pensioners' Benefit Account Rules, 2003 applicable to the deposits received in the Pensioners' Benefit Account. The account

can be opened only with the National Savings Center. There can be only one account opened by the retired officials of the Federal, provincial governments, armed forces and semi-government and autonomous bodies and in case of death pensioner's eligible member of the family. The 10 years duration account can be opened with deposit of minimum amount of Rs.10,000 and maximum of Rs.1,000,000. There is lucrative return of 11.04% per annum. Withholding tax of 10% will be applicable for deposit exceeding Rs.150,000. The Rules provide for other details of the scheme.

Electronic Credit Reports: The SBP has made its Credit Information Bureau (CIB) online in collaboration with Pakistan Bank Association. CIB will now provide credit worthiness reports to banks and receive their monthly credit data electronically. The present manual system would run parallel upto June 2003. The new arrangement will make the credit appraisal processes of financial institutions efficient and quick. The banks, development financial and non-bank financial institutions would have to make an agreement with the SBP, which would provide guidelines, software, users ID etc to connect online. The institutions are required to join the arrangement by April 2003. Subsequently SBP would not entertain any request of issuance of credit reports manually.

Taxation

GST Rules: Central Board of Revenue (CBR) has issued another revised draft of Sales Tax 'Registration and De-Registration Rules 2003' for comments and suggestions. The Rules require all registered persons to apply afresh before April 30, 2003 for 're-registration, previously called renewal, of their sales tax registration under the rules. The previous registration numbers would cease to be valid from July 2003. The details of the Rules are available on CBR's website.

CBR's Quarterly Review: CBR has released its Quarterly Review for October - December 2002. The Report, available on CBR's website: www.cbr.gov.pk, covers economy, revenue targets and position, GST, Sales Tax audit and reform of tax administration and restructuring of CBR. It observes that the economy has maintained the path of recovery and growth since February 2002. The net collection

during July - December 2002 at Rs. 201.4 billion (target of Rs. 200.5 billion) grew by 15.4% over the previous period. This includes direct taxes of Rs. 61.7 billion (1.7% decrease over previous) and Sales Tax of Rs. 92.3 billion (26.5% increase over previous). The report also lists major improvements in the sales tax audit as standardization of audit period of 12 months, one page plus annexes format of report, mandatory submission of report to the registered persons, check lists for audit review and approval, structured processing of audit report and post-audit arrangements as well as placement of dispute resolution setup. The list of achievements in the restructuring of CBR include functioning of large and medium tax-payers unit, introduction of universal self-assessment scheme, measures to ensure continuity of reforms, implementation and monitoring mechanism and detailed strategy document for future policy decisions to be released soon.



IFAC News

Government Accounting: International Federation of Accountants (IFAC) has issued Occasional Paper # 6 - *'Modernization of Government Accounting in France: The Current Situation, The Issues, The Outlook'*. The paper highlights some of the key arguments which influenced the decision of the French Government to move from the current system to an accrual basis for financial reporting in France. The paper traces the development and implementation of accrual accounting since 1999 in the central government financial statements and the evolution of the public sector information system and institutional arrangements to adapt to the new system. An increasing number of governments and government entities are adopting, or considering the adoption of, the accrual basis of accounting. Adoption of the accrual basis of accounting will enhance the accountability and transparency of the financial statements of governments and government agencies and provide better information for planning, and management purposes. The Paper is available for free download from IFAC's Website: www.ifac.org.

Quality of Earnings: The Financial and Management Accounting Committee (FMAC) of IFAC has released a new publication *'Quality of Earnings: Case Study Collection'*. It was first published by the American Institute of Certified Public Accountants and is designed to educate management, accountants and other business decision makers about a wide range of issues that impact the quality of earnings. The collection includes more than a dozen articles addressing a wide range of issues such as capital market expectations and valuations, estimates/methods, revenue recognition, business combinations, and working capital management. The case studies are designed to put the reader in the seat of executives making decisions that could impact the future of their company, as well as their own and their employees' livelihoods. The study raise a number of real-life ethical, management, and accounting issues and show how they were resolved. The publication is available at IFAC's website.

Information Technology

New Version of MS Office: Microsoft Corp. has released second beta version of its popular MS Office suite of applications. The Office, composed of four packages - Word, Excel, Power Point and Outlook, earns revenue next to the Windows, the desktop operating system which enjoys almost monopoly. Now the Office package would include Front Page, which is used in Web page development as well as two other products, Infopath and OneNote, to be used in creating forms for collecting web-based information and note-taking application. The Outlook would now include an e-mail spam filter. The Office product is now being described as system rather than suite of applications.

Government's Website: The new Web Site of Government of Pakistan - www.pakistan.gov.pk described as official gateway to the Government of Pakistan, is fast developing into the biggest website of

Pakistan. At present it contains around 7,000 pages of information and 500 government forms and providing links to numerous federal and provincial government and autonomous bodies' websites. The web site is still expanding with continuous addition of materials and linkages. Two regular attractions of the website are posting of federal government job announcements and procurement tenders. Gazette of Pakistan and official news are also available. Also presented are the information about Pakistan, different sectors of the economy, Government departments and functionaries, names of UGC recognized universities, Electronic Transaction Ordinance 2002, draft Telecommunication Deregulation policy etc. etc. The Website is being managed by Electronic Government Directorate of Ministry of IT & Telecom, Islamabad.

PIPFA Affairs

Board of Governors: The sponsoring bodies, Institutes of Cost & Management Accountants and Chartered Accountants have changed some of their nominees on PIPFA's Board of Governors. M/s. Mahmood Ahmad Lodhi, FCMA and M. Ashraf Bawany, FCMA, are the incoming nominees of ICMAP in place of M/s Muhammad Rafi, FPA, FCMA, and Abdus Sattar, FPA, FCMA. Mr. Abdul Rahim Suriya is the new nominee of ICAP and replaced Syed Ahmed, FPA, FCA. Mr. M. Ashraf Bawany is a past President of PIPFA (1997) and ICMAP (2001). As a result of the changes, Mr. Abdul Rahim Suriya is the new Secretary of PIPFA and Mr. Mahmood Lodhi, the new Joint Secretary.

The President of PIPFA, Mr. Faqir Hussain Khan, FPA, has joined group of leasing companies, investment bank, modaraba and corporate services companies at Lahore as Chief Manager Internal Control. He was earlier associated with M/s. Riaz Ahmed & Co., Chartered Accountants, Lahore.

PIPFA's Web Site: PIPFA is in the process of launching its Web Site. The trial version would be hosted by April 2003. Web Site address is www.pipfa.org.pk. The Site would contain necessary information about PIPFA's program of providing professional accounting education and developing accounting professionals. Various forms relating to members and students would also be available for download. There would also be provision for free hosting of job advertisements meant for PIPFA members, qualified and semi-qualified students.

Membership Data Form: PIPFA Members have been requested to provide their latest particulars such as NIC Number, details of qualifications, professional membership, occupation and e-mail addresses. The information is needed to further improve the services including electronic communication, web-based interaction and for compliance with requirements of SECP for submission of NIC Numbers and other details of members. The Form for submission of the information has already been sent. Members are requested to send the Form duly signed at their earliest. The Form would soon be made available on PIPFA's Web Site but for data security reasons the information has to be sent separately. Later on Members Update Form would also be placed on the website for regular updating of the records of members through electronic communication on the Web Site.

Membership Subscription: Members having any dues for 2001 to 2003 have been requested for payment of outstanding amounts. The reminder letters along with the Membership Data Form were sent through courier and Registered Post (where courier service is not available). Concerned members are requested to make due payment to PIPFA Head Office. Members residing at Lahore and Faisalabad can also make payment to respective PIPFA offices in these cities. The rates of Annual Subscription were increased by Rs. 50 from 2002-2003. The rates are: (a) FPA Rs. 900 per annum (Rs. 850 until 2001-2002) for all Fellow members and (b) APA Rs. 700 per annum (Rs. 650 until 2001-2002) but for those belonging to Government Sector the rate remains un-changed. The Government Sector members are



those who were admitted on the basis of SAS or Equivalent Qualification or IDC Officers of Department of Auditor General of Pakistan who passed FPO examination of Federal Public Service Commission.

Faisalabad Office: PIPFA has established its Branch Office at Faisalabad at the following address:

Room # 2, 2nd Floor, Kuwait Plaza,
Soosan Road, Madina Town, Faisalabad.
Temporary Telephone # 724323

The Office would provide information and some services to students and members.

Admission of New Members

Fellow Members

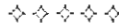
1. Mr. Muhammad Aslam Zahid	Lahore	FPA-55
2. Mr. Imran Afzal	Lahore	FPA-813
3. Abdul Rahim Salim Bhai	Karachi	FPA-2635

Associate Members

1. Mr. Abdus Salam Jani	Peshawar	APA-2636
2. Mr. Muhammad Asif Hussain	Karachi	APA-2637
3. Mr. Mubashir Hassan	Islamabad	APA-2638
4. Mr. Fauz-ud-Din Ahmed	Karachi	APA-2639
5. Mr. Karim M. Iqbal Chagani	Islamabad	APA-2640
6. Mr. Jamil Ahmed	Islamabad	APA-2641
7. Mr. Mr. Muhammad Qaiser Islam	Islamabad	APA-2642
8. Mr. Amir Saleem	Rawalpindi	APA-2643
9. Mr. Syed Wajahat Ahmad	Rawalpindi	APA-2644
10. Mr. Muhammad Siddique	Sialkot	APA-2645
11. Mr. Hamad Abid Butt	Islamabad	APA-2646
12. Mr. Adnan Hameed	Islamabad	APA-2647
13. Mr. Qamar Iqbal	Karachi	APA-2648

14. Mr. Syed Azhar Ali Zaidi	Rawalpindi	APA-2649
15. Mr. Tahir Abbas	Lahore	APA-2650
16. Mr. Ahsen Kamal	Karachi	APA-2651
17. Mr. Waqar Laeeque Ahmed	Jhelum	APA-2652
18. Mr. Muhammad Sajid	Karachi	APA-2653
19. Mr. Nabeel Rafique	Karachi	APA-2654
20. Mr. Omer Bstir Mirza	Karachi	APA-2655
21. Mr. Muhammad Miraj	Karachi	APA-2656
22. Mr. Shayan Ahmad Khaa	Islamabad	APA-2657
23. Mr. Danish Zahoor	Karachi	APA-2658
24. Mr. Syed Akber Alam	Karachi	APA-2659
25. Mr. Muhammad Khuram Shahzad	Faisalabad	APA-2660
26. Mr. Saqib Aslam	Faisalabad	APA-2661
27. Mr. Muhammad Ziauddin	Karachi	APA-2662
28. Mr. Shafiq-ur-Rehman	Karachi	APA-2663
29. Mr. Amer Munawar	Lahore	APA-2664
30. Mr. Aamir Munir	Islamabad	APA-2665
31. Mr. Nasim Ahmed Farhan	Islamabad	APA-2666
32. Mr. Muhammad Siddiq	Faisalabad	APA-2667
33. Mr. Muazzam Ali Khan	Karachi	APA-2668
34. Mr. Muhammad Jan	Peshawar	APA-2669
35. Mr. Muhammad Waseem	Karachi	APA-2670
36. Mr. Javed Iqbal	Lahore	APA-2671
37. Mr. Faisal Shakoór	Lahore	APA-2672
38. Mr. Sharjeel Jamshed	Faisalabad	APA-2673

Summer 2003 Examination: The Time Table for Summer Examination 2003 is available at PIPFA Offices and Approved Educational Institutes. The program for submission of forms, fees and completion of coaching requirements etc. for Summer Examination 2003 were already announced in the Newsletter for February 2003. Some changes in the syllabus was announced in Newsletters of December 2002 and January 2003.



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