

JUDGMENT SHEET

ISLAMABAD HIGH COURT, ISLAMABAD,
JUDICIAL DEPARTMENT

SECP Appeal No. 10 - 2025

Bilal Arsalan & Co.
Vs.
Audit Oversight Board

Petitioners by: Mr. Hamza Siddiqui & Messum Zaidi,
Advocates.
Respondent by: Mr. Azid Nafees, Advocate.
Date of Decision: 28.01.2026.

MOHSIN AKHTAR KAYANI, J: Through this appeal, Bilal, Arsalan & Co., the auditor firm as well as the partners of the auditor firm have assailed the order dated 25.02.2025 passed by the Members of Audit Oversight Board and order dated 05.08.2025 passed on representation of the appellants by the respondent, whereby the AOB has imposed a penalty of Rs.250,000/- with further cautions to ensure strict compliance with the applicable laws in future.

2. Learned counsel for the appellants contends that appellant No.1 is a chartered accountant firm providing professional services in the areas of audit and assurance, accounting, taxation, corporate advisory and related consultancy, and appellant No.2 and 3 are the partners of appellant No.1. Learned counsel for the appellants further contends that the impugned orders have been passed

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without observing the legal requirement envisaged under the law, and as such, pursuant to the show cause notice dated 04.12.2024, they have responded in detail, but the Audit Oversight Board has not considered the mandate of law. It is further argued that the primary allegation against the appellants is with regard to the audit report of BRR Investments (private) Limited for the financial year 2023, which was signed by the appellants without being registered with AOB in terms of sub-regulation (2) of Regulation 4 of the Audit Oversight Board Regulations, 2018. Learned counsel for the petitioner at last contends that there is no legal requirement for registration of the partnership audit firm, as the BRR Guardian Mudarbah company has already amalgamated by virtue of order passed in JCM No.6 of 2022 dated 22.03.2023, in which the Sindh High Court declared the proposed amalgamation of BRR Investment Private Limited, BRR Guardian Limited and BRR Guardian Mudarbah, and pursuant to the order of Sindh High Court, the BRR Guardian Mudarbah has applied for surrender of registration of flotation of Mudarbah and cancellation of its registration as Mudarbah management company of Mudarbah BRR Guardian Mudarbah through letter dated 02.05.2023. Hence, the requirement of law in terms of sub-regulation (2) of Regulation 4 of AOB regulations is only confined to the audit of PICs, which is not the case in hand, but this aspect was ignored.

8. Conversely, learned counsel for the respondent contends that the appellant has signed the audit report for the financial year 2023,

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which was submitted with the SECP, and on the basis of those information, the AOB has proceeded against the appellants, who have not followed the AOB's registration requirement, including ISAs, COE and other legal and professional pronouncement applicable for the audit of PICs, which are required to be complied with under section 36W read with section 36H(a), 36H(b), 36K and 36T, of part - IX C of SECP Act and regulation 4 of AOB regulations.

4. Argument heard, record perused.

5. Perusal of record reflects that the appellants have been imposed with penalty of Rs.250,000/- to be deposited in Federal Consolidated Fund as a penalty by the regulatory authorities due to non-compliance of sub-regulation (2) of Regulation 4 of the Audit Oversight Board (Operations) Regulations, 2018, through the impugned order. The relevant portion of the above mentioned regulation is as under:

"4. Register of Audit Firms. -

(2) No audit firm shall be appointed as auditors of a public interest company or shall sign an audit report on Financial Statements of a public interest company, unless, it is registered with AOB under these regulations...."

6. On the other hand, the appellant side has taken the categorical stance that the BRR Mudarbah company for which appellants have conducted the audit is not a public interest company, whereas, public interest company has been defined in section 36H (i), part IX-

of the SECP Act 1997. The third schedule to the Act of 2017, that

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classifies a Mudarbah company as PIC based on the status of registration and holding of license as Mudarbah company duly registered. However, the primary ground taken by the appellants is that the BRR Mudarbah has lost its status by virtue of scheme of amalgamation approved by the Sindh High Court in JCM No. 6 of 2022 dated 22.03.2023.

7. No doubt, the amalgamation scheme was approved, but it does not mean that the financial statement for the year 2023 would be signed by a company which was not registered with AOB for conducting audit or signing the financial statement, especially when the auditor firm is under legal obligation to get itself registered under the AOB in terms of sub regulation (2) of regulation 4, which is simple and straight, even otherwise it is expected from an auditor firm which is comprised of the qualified persons known as auditor of the company under section 254 of the ordinance as well as in terms of sub-clause (a) of section 36H of the Act, and those qualified persons shall ensure the professional competence and due care as well as professional behavior, which requires compliance with relevant laws and regulation, including the SECP Act, AOB regulations, and render only those services in which they are competent, eligible to perform, and it is not expected that auditor firm without due compliance of law can proceed in the business of auditing and signing of the financial statement. It is otherwise a willful neglect on the part of appellants who overlooked this aspect and took the stance that the BRR Mudarbah was no longer a public

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interest company due to scheme of amalgamation, though effect of amalgamation starts w.e.f. the order of Sindh High Court, but previous period could not be considered as non PIC, hence, they have signed the financial statement with this plea, although the deregistration application is available on record, but no specific order is there by the SECP in which the deregistration certificate was issued, even the financial statement is to be considered for the year 2023 after the signature of the auditor, which are the appellants in this case. Hence, the strict liability is required to be followed and no exception could be taken in favor of the appellants, and the AOB has rightly imposed the penalty.

8. In view of above discussion, instant appeal is DISMISSED.

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(MOHSIN AKHTAR KAYANI)
JUDGE

A.Waheed/-