

# Trustworthy financial reporting brings investors' confidence

Experts say at ICAB members' conference

STAR BUSINESS DESK

High quality financial reporting supports well-informed investment decisions, thereby facilitating the efficient formation and deployment of capital, said Muhammad Farooq, president of the Institute of Chartered Accountants of Bangladesh (ICAB).

"So, independent and consistently high quality audits are an essential tool for trustworthy financial reporting, which brings stakeholders' confidence when pursuing market opportunities," he said yesterday.

He made the comments at a time when financial experts have been blaming the volatility of the stock market as well as the economy on the publication of fabricated financial statements.

The members of ICAB took part in the conference on 'Bringing improvement in the financial reporting and quality of auditing' through virtual conferencing platform Zoom.

The purpose of the conference was to discuss the challenges and way forward to improve the financial reporting and quality of auditing.

Most companies around the world provide factual information on their financial statements to help interested parties decide whether to invest or not. They depend on quality audit reports. But, the case is opposite in Bangladesh.

At the event, Mahbub Ahmed Siddique, director (technical) of ICAB, shed light on the challenges for quality audit in Bangladesh.

A lack of corporate governance, conflict of interest, corruption, minority shareholders, a lack of technical skill, low audit fee and a lack of collaboration among regulators and stakeholders are some of the challenges, the keynote paper presenter said.

Reporting and compliance of corporate

governance should be meaningful and effective collaboration among relevant stakeholders is vital to improve the quality of financial reporting and audit in the country, he said.

As part of ICAB's mandatory inspection programme, it evaluates quality control system of each firm maintaining requirements of the International Federation of Accountants, Farooq said.

ICAB takes necessary actions, if it identifies quality control deficiencies, he said. "Even, proactively take actions against the firm for any professional misconduct."

Auditors cannot compromise audit quality for audit fee, said Farooq about the role of the auditors. They should prepare high quality audits regardless of the level of audit fee.

Considering the high level of cost to engage audit personnel with sufficient skill, expertise, and the use of information technology like computer assisted audit techniques, the existing audit fees are not sufficient, he said.

Regulators involvement in selection of audit firm and fixing of audit fee may be an option to think about, he said.

In this connection, the Financial Reporting Council (FRC) and Bangladesh Securities and Exchange Commission (BSEC) could jointly work in formation of a joint committee or task force to develop a strategic plan to improve the quality of financial reporting and auditing, he suggested.

Independence of preparers, auditors and regulators could improve the quality of audit, Siddique said.

The regulators should protect chief financial officers from any threat, including job security, he said.

CQK Mustaq Ahmed, chairman of FRC; Shaikh Shamsuddin Ahmed, commissioner of BSEC, and Muhammed Farhad Hussain, past president of ICAB, also spoke.

# Bangladesh-based SOLshare closes \$1.1m financing round

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Bangladesh-based SOLshare has closed a \$1.1 million financing round and the off-grid solar energy marketplace firm will use the fund to bring smart solar micro-grids to off-grid, underserved communities in the country.

Dubbed as the AirBnB of the energy off-grid space, SOLshare was founded in 2014 in Dhaka, the company said in a statement yesterday.

To date, the company has set up 30 peer-to-peer solar electricity trading grids in Bangladesh and India. SOLshare helps people to turn their excess solar electricity into money with zero hassle.

It also enables them to purchase more power on the go whenever they want as well as they get to invest in more power generation and trade it off for a handsome return with minimal risk.

For the funding, the company was supported by IIX Impact Partners—the world's most successful debt and equity crowdfunding platform for impact investing—through its network of impact investors.

Current investors, innogy New Ventures LLC and EDP Ventures, are also part of the round, as well as new angel investors from around the world.

Innogy New Ventures LLC is the venture capital investment arm of the German utility firm innogy SE and EDP Ventures is the investment arm of Portuguese based utility firm EDP, according to the statement.

"The SOLshare team had been working on a financing round for

many months and Covid-19 was an additional unexpected challenge," said Sebastian Groh, managing director of SOLshare.

"Thanks to the tremendous support of existing investors, support partners, and mentors the company was able to move forward. We're thrilled that investors recognize the critical need on the ground, especially in some of the most vulnerable communities in the world who risk losing access to clean energy as well as the great potential SOLshare has to show the

drive capital towards where it is needed the most.

"IIX is thrilled to continue supporting SOLshare, following our 2018 investment through our IIX Growth Fund," said Robert Kraybill, IIX chief investment officer and managing director of portfolio management.

Over the past decade, IIX has built a highway of support for enterprises across their stages of growth, effectively connecting them to capital markets through Impact Partners, Kraybill said.



path into a better energy future."

In the aftermath of Covid-19, venture capital rounds dropped by 44 per cent in the US alone. In the first quarter of 2020, no capital was secured by ASEAN-focused private equity funds, demonstrating a challenging fundraising environment.

To support SMEs in raising capital, IIX is leveraging on-the-ground data-driven insights to provide businesses and investors with comparative, standardised information on risk, return, and impact (RRI).

The RRI will help them create risk mitigation strategies, make capital allocation decisions, and more effectively and transparently

"With investors reeling from the market meltdown, we believe that RRI investment strategies will become the new norm. Investors who can assess opportunities through the lens of risk-return-impact can look to make attractive returns from investing in COVID-resilient businesses while creating positive impact for people and planet."

SOLshare is working toward an energy future fuelled not by fossil fuels but by democratisation, by decentralisation and decarbonisation, the company said.

The funding will put SOLshare on track to positively impact 2.5 million people by 2023.

"We are doubling down on

SOLshare's vision and mission, which continues to prove to the world that a deep commitment to underserved communities pays off for investors," Stefan Padberg, managing director of innogy New Ventures LLC.

"We are excited to be a part of this journey to make affordable clean energy accessible to everyone."

SOLshare's peer-to-peer marketplace in solar villages creates economic value, allowing the use by small businesses of individual household's power that otherwise would be wasted, said Luis Manuel, executive director of EDP Innovation.

Even before the pandemic, SMEs formed the backbone of the global economy, making up over 90 per cent of all firms, 70 per cent of total employment, and 50 per cent of gross domestic product.

SOLshare is now negotiating a framework agreement to support the United Nations High Commissioner for Refugees (UNHCR) office in Bangladesh supplying smart solar micro-grids in the Rohingya refugee camps.

SOLshare has also announced that it has won the Ashden Award in the energy access category for "Finance and Business Model Innovation", a gala ceremony referred to as the Green Oscars at the Royal Geographic Society in London, UK.

Ashden spotlights and supports climate and energy innovators around the world, including businesses, non-profits and public sector organisations which are delivering proven, ready-to-scale climate solutions.

## Akash DTH slashes connection fee to hook housebound customers

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The connection includes HD Set Top Box, user-friendly multi-function remote control unit, heat- and rain-resistant Akash-branded Universal KU band dish, necessary cable, connectors and other accessories.

Akash subscribers can watch 34 national and 89 international channels. All the channels are available for Tk 399, including VAT, per month under the standard package and Tk 250 under the Lite pack, the press release said.

Subscribers also can take add-on packs according to their desire that brings flexibility to choose and select. This is also a unique feature and is not available for any other service provider, it said.

Akash is available in 64 districts and can be viewed from any corner of Bangladesh with the same quality.

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This policy cell at the finance division was the beginning of several major public financial management (PFM) projects since the mid-1990s until now, the seed for which was sown by Dr Huq during his short stint as the finance minister.

Dr Huq and I also discussed the possibility of introducing VAT in Bangladesh, for which he got the support from former president HM Ershad.

His support for the initiative was the key to my getting involved with the VAT introduction-related work with the National Board of Revenue and an exploratory visit by a Bangladesh delegation – comprising the NBR and private sector representatives – to a number of Asian countries to learn from their experience.

Dr Huq was instrumental in getting the president's approval for going ahead with the implementation of VAT in Bangladesh based on the report submitted after the completion of the visit.

Enthusiastic support of NBR senior staff including Dr Ekram Hossain (chairman), Shah Abdul Hannan (member), and Dr Zahid Hossain (then first secretary) deserves a special mention in this regard.

Dr Huq had a very simple and transparent mind and was always

very uncomfortable with many things happening all around him.

On many issues, as he shared with me on different occasions, he was making bold dissenting views during the cabinet meetings – almost like a lone voice without much effect.

He was getting frustrated in not being able to influence many of the decisions but continued to voice his reservations quite boldly within the cabinet.

On some occasions, I also tried to tone his dissenting voice suggesting that it might harm him in his current position. But I knew, while he listened to me, he could not compromise his principles.

One of his statements to the media was the final nail in the coffin. At that time, Bangladesh Bank's foreign exchange reserves were going down and Dr Huq requested me to do an analysis to identify the reasons behind the decline.

I worked with Bangladesh Bank's research department and concluded that all data were pointing to large amounts of money being siphoned off Bangladesh in suspicious ways.

There were huge gaps between export repatriation and also in import data. I submitted the report to Dr Huq for his own information, but as a sincere public servant, he went public alleging that massive

amounts of capital flight were taking place and many powerful people were probably associated with it.

The next day, Dr Huq was relieved from his duties, in my view, for telling the truth to the public. He clearly showed that while he was a low key and not a dominating personality, he was uncompromising when it comes to the national interest.

Another sad truth that I came to realise was that when one falls from grace in Bangladesh, nobody stands by him.

Next morning, when I went to meet him at his Minto Road residence, there was nobody but me – not even his private secretary to say goodbye.

Dr Huq had left Bangladesh with disappointment. He could not offer the country what he wanted to, probably because the country was not ready for a person like him.

I certainly missed him, but I was also happy that he went back to where he rightly belonged – the academic world, which was more receptive to idealistic views and gave him the space to practise the teachings of Kenneth Arrow and Gerard Debreu, the icons of general equilibrium theory.

The writer is the executive director of the Policy Research Institute of Bangladesh

## Strike at Tata Steel's Dutch plant ends after agreement on jobs

REUTERS, Amsterdam

Workers at Tata Steel's main plant in the Netherlands ended a three-week strike on Friday after the company said there would be no compulsory layoffs under a planned reorganisation of its Dutch operations.

"We are pleased to announce we have reached an agreement with all unions involved," Tata Steel's Dutch division said in a statement.

"The transformation programme will not lead to forced redundancies at Tata Steel Netherlands." The company did not say whether there would be a voluntary redundancy programme but said it would now extend its current jobs pact for IJmuiden, which stipulates no forced layoffs, by five years until October 2026.

Workers at the IJmuiden plant went on strike on June 10 after unions said the company had outlined plans to scrap around 1,000 of the 9,000 jobs at the site as part of a reorganisation of its European

operations.

Tata Steel Europe last year announced a major overhaul of its British and Dutch activities, at the cost of around 3,000 jobs in total. Tata Steel Europe has said IJmuiden needs to become more profitable as the steel sector grappled with the effects of overcapacity, cheap Chinese imports and U.S. trade tariffs, even before the global coronavirus recession hit.

"This agreement offers a counterweight against the risks we see coming from Tata Steel Europe," Roel Berghuis, spokesman for the FNV union, said on Friday, adding that workers would now return to work on Friday. Under the agreement reached with unions, Tata also promised to invest in innovation and cleaner production technologies and not to quickly divest any part of its Dutch activities or to outsource work done in the Netherlands.

Tata is expected to present detailed plans for the future of IJmuiden by the end of September.

## Online cattle sales poised to level up for pandemic this Eid

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"I connect buyers with these farmers, who supply me vegetable, rice and other things from my business. As these local cows eat grass in the field, the taste of their meat is different. So, buyers are much enthusiastic about such livestock," she said.

She made a few lakh taka last year selling cattle and goats.

"Last year, I got another 100 requests in person and on my company's Facebook page for supplying cows or goats for Qurbani. But I couldn't supply them as I don't compromise on quality."

This year her target is to sell 100 cattle. She charges 8-10 per cent of the selling price as her commission.

Dhaka North City Corporation has decided not to set up a sacrificial animal market in densely populated areas inside the capital to prevent the spread of coronavirus.

In such a situation, Sheba.xyz, a popular online service marketplace, which used to supply butchers to customers, is now launching cattle sales.

There will be 500 cattle on its website for customers.

"Keeping the pandemic in mind, Sheba.xyz is providing full Qurbani service along with making the cattle available for purchase and getting it delivered home," said Samiul Kabir, chief strategy officer of the platform.

For those who want the option of sacrificing an animal in a group instead of the whole animal oneself, there is the opportunity of getting that specific share at a fixed price.

This year, Bikroy.com has targeted to sell several thousand cattle through its site. Last year, it sold 3,000.

"We do not sell cows ourselves. Various agro firms provide advertisements for selling their cattle on our site," said Bikroy.com's Co-Managing Director Eshita Sharmin.

This time the farmers of Dhaka and its surrounding areas are saying that bookings are being made shortly after advertisements are being placed on the site.

"So, this means that the buyers have already started choosing their desired animal for sacrifice. Probably this trend has appeared due to coronavirus," she added.

The platform charges only Tk 1,000 for membership of big farms for unlimited ads and does not take any fee from small farmers.

She hopes more than 10,000 cattle advertisements will be up on Bikroy.com this year.

Many buyers are also turning to online platforms this time because of the coronavirus.

Mohammad Shahed from Bashundhara area of the capital is planning to buy a cow from an online marketplace this time. "Social distancing is impossible in the makeshift markets selling animals for Qurbani."

Although going to such a market is a traditional and joyful event, he would opt not doing it this time around, he added.

This year 1.19 crore cattle have been prepared for Qurbani, up from 1.18 crore last year, Abdul Jabbar Sikder, director general, the Department of Livestock Services, told The Daily Star.

"We are encouraging different big farmers to sell online this year. If 20 per cent of the total sales can be made through digital platforms gradually, it will reduce the pressure on the makeshift markets," he added.

This year, 1.10 lakh cattle will be needed for Eid-ul-Azha, according to the department.

However, the demand for cattle would be 20 per cent less than that of the government estimate because of the pandemic, which ate away people's income significantly, according to the Bangladesh Dairy Farmers' Association.

## Internet blackout for a couple of hours every week is a real possibility from next month

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"It could be one or two hours in a week and will continue," Hakim said.

Currently, there are 80.84 lakh active broadband connections in the country as of May, and according to the ISPAB's estimate, 3.5 crore users are enjoying the fastest internet service from them regularly.

For the businesses to survive there is no option but to either increase service charges for end-users or compromise in service quality, said ISPAB General Secretary Imdadul Haque.

"We have yet to fix our course of action but this time we will take a hard line," he said.

The telecom minister and ICT state minister agree with the internet service providers, the ISPAB said. Telecom Minister Mustafa Jabbar is said to have even sent a letter to the finance minister on June 24 informing the matter.

"If the government does not take our logical demand into consideration, we have no way other than to consider increasing charges and that could turn out to be 30 to 40 per cent," Hakim said.

This means that users who are enjoying the Tk 1,000 package, which is the most popular segment, would have to pay Tk 1,300 after August, he added.

The association also demanded to incorporate internet service in the information technology-enabled service (ITES) list for tax holidays. The government has so far recorded 22 categories of services in the ITES tax holiday list.

They are providing a good number of services that fall under the 22 categories but they have always been ignored by the government, Hakim said.

He said they would be able to create at least 1.5 lakh new jobs within the next couple of years if they were placed in the ITES list as the tax benefit would help them grow the market significantly.

ISPAB Senior Vice-President Rashed Amin Biddut and other leaders attended the event.

## State-run companies not paying dividend to govt

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From Power Grid Company alone, the government missed a dividend income of Tk 2,637.22 crore in the last three financial years.

Accordingly, it was deprived of Tk 63.11 crore, Tk 59.17 crore, Tk 19.79 crore and Tk 140.86 crore from Bangladesh Submarine Cable Company, Titas Gas, Meghna Petroleum and Dhaka Electric Supply Company respectively during the period.

Rupali Bank did not come under the purview as it did not announce any cash dividends in the last three years.

As the money kept as share money deposit could be misused, the finance

ministry should resolve the issue by talking with the companies, the FRC said.

Earlier in February, the FRC directed the listed companies to convert their share money deposits into paid-up capital within six months.

According to the directive, the share money deposit received for increasing equity or paid-up capital of a company must not be withdrawn or taken back under any circumstances.

Besides, the share money deposit will be considered as potential share until its conversion into paid-up capital, and the company must show the diluted earnings per share in the financial statement or impact of the new shares on EPS.

## Banks in Bangladesh have the lowest capital base in South Asia

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Last year, a record Tk 52,770 crore was rescheduled. Of them, Tk 13,284 crore has turned sour again, BB data showed.

This means nearly one-fourth of the rescheduled loans slipped into the bad category again.

Defaulted loans stood at Tk 94,313 crore at the end of 2019, up 0.42 per cent year-on-year.

Banks should now start preparing to improve the capital base as there will be an uncertainty in the days ahead due to the twists and turns of the pandemic,

said Mansur, also a former official of the International Monetary Fund.

"The financial health of banks will deteriorate in the coming days if the economy faces more storms," he ADDED.

The weak CAR has indicated that the financial health of the banking sector in the neighbouring countries is stronger than Bangladesh, said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

"The CAR would have been 15-16 per cent if the state banks could maintain the requirement as per the Basel III guidelines," he added.