

Upgrade financial transparency with better accounting, auditing: analysts

STAR BUSINESS REPORT

Bangladesh has made progress in accounting and auditing practices, but the country must modify the Companies Act and form the Financial Reporting Council, to strengthen financial transparency further, according to a report.

The government should amend the Companies Act to clarify the financial reporting and auditing framework, supported by a strong enforcement mechanism, according to the report on standards and codes in accounting and auditing, which was released at a workshop in Dhaka yesterday.

"Financial reporting requirements and applicable standards for all companies should be clearly defined in the Companies Act," the report said.

"Requirements should be differentiated for public interest entities, SMEs and micro-sized entities, which should be clearly defined in the act or through regulations."

The World Bank, in association with the Institute of Chartered Accountants of Bangladesh (ICAB), organised the workshop to disseminate the findings on Bangladesh's accounting and auditing practices and make recommendations for further improvements.

The workshop was held as part of a joint programme by the World Bank and the International Monetary Fund, which was launched in Bangladesh in 2003 to help strengthen its financial systems.

MA Mannan, state minister for finance and planning, asked chartered accountants to play a key role in establishing transparency and accountability.

"We need a change for the better. We have to be more transparent, more open and accountable, and you have the central role to play," he said, requesting stakeholders to come up with recommendations so that the government can take measures to further improve accounting and auditing practices.

Suraiya Zannath, senior financial management specialist of World Bank, said Bangladesh has made some progress in strengthening the pillars of the financial reporting supply chain since the last review in 2003.

The progress includes improvements in ICAB's training and education, restructuring the Bangladesh Securities and Exchange Commission after 2010-11's catastrophic fall in the stockmarket, enacting the Financial Reporting Act and establishing the Quality Assurance Department within the ICAB.

But reforms are still needed in the Registrar of

Joint Stock Companies, Bangladesh Bank, BSEC, Insurance Development and Regulatory Authority, National Board of Revenue and the monitoring cell of the finance ministry, she said.

There is no general body to oversee the accounting and auditing practices, she added.

"A financial reporting council is needed," she said, urging the government to form a 'coordination committee' as per the improvement programme.

ICAB President Masih Malik Chowdhury said except for initiatives taken by ICAB and BSEC, no steps have been taken to strengthen the capacity of other regulatory bodies.

"The establishment of a new independent oversight authority for accountants and auditors in Bangladesh may be too advanced a step, considering the relative size of the corporate sector and profession in more developed countries," he said, referring to the Financial Reporting Act, under which a Financial Reporting Council will be set up.

"There is a strong view among stakeholders that establishment of a separate regulatory body, such as a financial reporting council, may not necessarily bring the desired results, should the performance of other regulatory bodies remain in their current status."

Christine E Kimes, acting country director of World Bank, and Samia Msadek, practice director of World Bank, also spoke at the workshop.



Rashed Khan Menon, civil aviation and tourism minister; Omar bin Mohamed bin Ramdhan Al Balushi, Omani ambassador, and Khondaker A Kabir, country manager of Oman Air, pose at the launch of Oman Air's services to Dhaka on Sunday.

BB chief asks banks to help ex-enclave residents

OUR CORRESPONDENT, Thakurgaon

Bangladesh Bank Governor Atiur Rahman has urged banks and other financial institutions to come forward to bring people of the erstwhile enclaves into the mainstream economy.

Rahman spoke while visiting the former Dahola Khagrabari enclave in Debiganj upazila on Sunday, where he handed over various items donated by different banks to the local people.

A number of banks together contributed some Tk 2.5 crore from their CSR funds for the ex-enclave dwellers. Some of the money was used to buy 334 tube-wells, 192 sanitary latrines, 19 computers, and 1,300 school bags among other things, which the governor distributed during the event.

Some 90 sewing machines, 183 bicycles for female students, 110 rickshaw-vans, 146 bundles of corrugated-iron sheets and 30 cows were also distributed.

Also, Tk 42 lakh has been earmarked for the construction of school buildings, and Tk 15.5 lakh for education scholarships and 100 school-benches, UNB reports.

Bangladesh has introduced itself as a model for sustainable economic growth and development, and has already transformed into a low-middle income country, the governor said.

He visited a daylong banking fair organised by the central bank, and inaugurated two branches of National Bank in Debiganj and Patgram, as well as two schools for the former enclave dwellers during the same event.



M Nazeem A Choudhury, head of consumer banking at Eastern Bank, and Kelly Lewis, general manager of Amari Dhaka, pose at the signing of a deal. The bank's premium cardholders and priority customers will enjoy special discounts on room rate and food at Amaya Restaurant and Cascade Lounge of the hotel in Dhaka.



Allard W van Veen, global managing director of Public Relations Organisations International (PROI), shakes hand with Kazi Wahidul Alam, managing director of Triune Ltd, as Triune became the newest partner of PROI worldwide, the largest global partnership of independent public relations organisations, during the PROI Asia-Pacific regional conference in Tokyo, Japan on October 15-17. Tahera Wahid, director of Triune, was also present.

NBR starts drives to curb VAT evasion

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He however declined to disclose the names of firms that were found evading VAT, an indirect tax that is ultimately paid by consumers.

As per rules, businesses must provide VAT invoice or payment receipts when delivering the goods from factories.

But the VAT intelligence and investigation office has detected eight vehicles transporting goods without VAT invoice, while one was using the same invoice for two different deliveries, said officials.

They recommended the relevant commissionerates to file cases against the firms for VAT evasion of Tk 4.66 lakh.

Ahmed said the firms were repeatedly instructed not to deliver goods without VAT invoice.

"We will continue such drives to prevent tax evasion. And we will go for legal action including filing of cases if we find any vehicle transporting goods without VAT invoice."

He said the taxpayers are the driving force of the economy.

"We request firms to provide proper VAT invoice while delivering goods from factories. Otherwise, they will fall in an embarrassing situation, which we do not want."

Other than that, the office also conducted a survey in large shopping malls in Dhaka and found that most of the shops do not have VAT registrations, according to the statement.

VAT compliance by shops in the malls is frustrating, according to Ahmed.

The VAT audit directorate started conducting field drives after the NBR framed the charter of functions for the office and reformed the law to empower the office to take measures to prevent VAT evasion.

Earlier, the directorate was mainly engaged in audit and investigation on the basis of complaints, said officials.

Through audit, the directorate detected Tk 135 crore VAT that was either evaded or avoided in 2014 and the January-July period of the current year, according to the statement.

Widen reach of mobile financial services

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Muhammad A Rumeen Ali, chief executive of Bangladesh International Arbitration Centre, said MFS can never serve as a regular bank.

"A rickshaw puller never went to a bank, but he is comfortable with an agent. So give them the comfort of running their account, and that is what we wanted with MFS," said Ali, also a former deputy governor.

Shekil Chowdhury, a member of DCCI, said if the government can establish a legal channel with inbound remittance with the help of MFS, then remittance volume will increase by at least \$5 billion from an existing \$15 billion.

Rokonuzzaman, a professor at North South University, said mobile operators should not be allowed to operate MFS services.

However, Sheikh Monirul Islam, chief external and corporate affairs officer of bKash, a mobile financial service provider, said mobile operators can play a more important role here.

Ishtiaq Hossain Chowdhury, a director at Grameenphone, said without financial inclusion, the dream of a digital Bangladesh will not be materialised.

Mashid Rahman, head of governance relation and regulatory strategy of Banglalink, said both the banking and telecom regulators must sit together to formulate policies, and it can positively impact the industry.

India may ease terms for \$2b credit

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Exim Bank sent the draft agreement following Indian Prime Minister Narendra Modi's visit to Bangladesh in June this year.

During his visit a preliminary agreement was signed on the new credit.

Under the draft agreement, Bangladesh will have to pay 0.5 percent as commitment fee annually on the amount of the credit that remains undisbursed.

The unutilised portion of the credit will be cancelled at the end of 48 months after the scheduled completion date in case of project exports. It has been set at 72 months in case of other supply contracts.

The credit carries 1 percent interest rate with repayment period of 20 years and a grace period of five years.

Bangladesh has identified 13 projects to be financed by the second Indian loan, said an ERD official. It includes power, rail and port projects.

India lent a \$1 billion line of credit in 2010, during Manmohan Singh's tenure as the prime minister. Of the amount, \$200 million was later converted to grant and disbursed for the Padma bridge project.

Bangladesh sought \$62 million more under the first loan as project costs increased and the Indian side agreed to it as well.

Toshiba in talks to sell image sensor ops to Sony

AFP, Tokyo

Toshiba is preparing to sell its image sensor operations to Sony in a deal estimated at around \$165 million. The move would mark Toshiba's effective withdrawal from producing image sensors used for smartphones and other devices, Kyodo News said. The step comes as the engineering conglomerate attempts to restructure itself after a damaging billion-dollar accounting scandal.

Seven banks post negative credit growth

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As a result, the demand for working capital has also come down, he said.

"Things are monitored closely now. In fact, the banking industry is coming back from indiscipline," Maqsood added.

Alauddin A Majid, chairman of the troubled BASIC Bank, identified two major reasons behind his bank's negative loan growth.

Some of BASIC's accounts are blocked and it cannot show the figure in the outstanding loans, he said.

The other reason is the employees' failure to net prospective new customers, particularly small and medium enterprises, which, he said, are the niche market for his bank.

HSBC Bangladesh, which has posted 1.29 percent negative credit growth, declined to comment on the issue.

State Bank of India registered highest 22.63 percent negative credit growth and the National Bank of Pakistan 1.98 percent negative growth.

Standard Chartered Bank, which is the largest foreign bank operating in Bangladesh, has posted 8.25 percent credit growth in August.

Indian weavers urged to invest in Bangladesh

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He led the Bangladeshi team at a discussion with the leaders of the Confederation of Indian Industry (CII) at the BTMA office in Dhaka.

The Indian delegation is in Dhaka looking for investment opportunities in the textiles sector. CII, which has 7,900 registered members from both the public and private sectors, is the apex trade body in the Indian industrial sector.

The garment sector would be benefitted if Indian entrepreneurs set up weaving factories in Bangladesh, as the local businesses have to import fabrics at present, which is time consuming, Hoque added.

The CII delegation also expressed interest in exporting cotton to Bangladesh.

The prices of cotton have declined significantly worldwide due to stockpiling in China, the largest cotton consumer in the world.

India supplies 35 percent of Bangladesh's total demand for cotton in a year.

Strong institutions key to lasting development

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The daylong event started with the launch of a book titled "Bangladesh Vision 2030" by Shirin Sharmin Chaudhury, speaker of parliament.

Chaudhury laid emphasis on infrastructural development to achieve Sustainable Development Goals.

"Bangladesh has achieved remarkable progress in most of the Millennium Development Goals," she said.

"To achieve the new development agenda in the scheduled years, we will have to develop ICT, energy sectors, sea resources, regional connectivity as well as total infrastructure in the country," state-owned news agency BSS quoted her as saying.

Chaudhury said Bangladesh stands on a strong economic foundation. "To maintain the foundation sustainable, we will have to form a plan comprising urban and rural economy and have to ensure women's participation in the plan."

In the second session of the conference, policymakers and economists spoke on the importance of strengthening various institutions to accelerate growth and lower poverty.

Tofail Ahmed, commerce minister, said the Trans-Pacific Partnership agreement would not hinder the garment sector, as the country enjoys duty-free access to all key markets, except the US.

Like other economic factors, institutions would play a critical role in Bangladesh's journey towards a middle-income country and a poverty-free nation, said Mustafa K Mujeri, former director general of Bangladesh Institute of Development Studies.

He said institutions also provide a powerful basis for inclusive growth and can give voice to different communities whose lives are affected by the activities of these institutions.

"But most institutions have created polarised societies and division between the haves and have-nots."

He recommended strengthening institutions at local level as a first step toward transforming all institutions at the national level.

"It is time for us to make all institutions inclusive and accountable."

Prof Mahmud said: "What matters for institutional development is accountability and efficiency of the government."

"We may be currently passing through a temporary holiday for the practice of competitive and multiparty democracy but we can still carry forward institutional reforms in areas where there is established consensus."

Global experiences also do not indicate a direct relationship between democracy and institutional development, he said.

Prof Mahmud cited examples of "communist" China where there is better quality of service delivery than in "democratic" India, thanks to the ingrained accountability within the ruling party.

The economics professor came up with five points which he deemed necessary for long-term sustainable development.

"There has to be a contested election in multiparty democracy. Or there has to be democratic practice within the dominant ruling party. Or there has to be strong non-elected state institutions. Or there has to be free media and active civil society organisations -- or the compulsion of the government to earn legitimacy in the eye of the public."

"A combination of two or three of these factors must be there for ensuring sustainable development."

Alamgir said Bangladesh has done well on both income growth and poverty reduction presumably without strong institutions.

Cross country experiences suggest income growth and poverty reduction have gone together with or without strong institutions, he said.

"On the other hand, there are many outliers, albeit without strong institutions, but gains are mostly short-term."

Alamgir said Bangladesh is doing well on MDGs despite low per capita income simply because institutions, particularly non-governmental organisations and people are strong.

He said all is well with planning as an institution, termed the Perspective Plan and the Sixth Five-Year Plan as master pieces of strategic thinking.

The economist said the mid-term budgetary framework, known as MTBF, has proven to be a credible dynamic tool for budgeting and reconciling plan with rolling budget cycle. "It is almost as good as South Korea."

He, however, said annual budget has problems with revenue shortfall and optimistic annual development programme is falling short due to implementation problem.

He said mega project implementation is a nightmare. Money is allocated but it cannot be spent and implementation delays pile up.

He recommended a separate cell under the Prime Minister's Office for each mega project to ensure their timely implementation.

He said the regulatory regime has to