

# Financial reporting framework critical for state enterprises

Analysts say at a workshop

STAR BUSINESS REPORT

A comprehensive financial reporting framework for state-owned enterprises (SoEs) and public sector entities (PSEs) is a must to ensure accountability in the use of public resource and money, discussants said at a workshop yesterday.

The level of compliance in the government business entities is not encouraging in the absence of any statutory obligations and enforcement mechanism for compliance, they said.

All financial transactions of the ministries and their subordinate departments are carried out under a national budget execution system through various accounts offices under the Controller General of Accounts.

But the accounting system does not comply with any international accounting or financial reporting standards, they said, while requesting the government to adopt the International Financial Reporting Standards (IFRS) and the International Accounting Standards for the entities.

Comptroller and Auditor General of Bangladesh Masud Ahmed said it would take time to adopt the accounting and auditing standards by the government in public sector entities.

The concerned departments and ministries are arranging workshops and trainings on the relevant subject matter for the officials to make them updated with knowledge and information, he said, while addressing a workshop on roadmap to strengthening financial reporting framework for

public sector entities.

The workshop was jointly organised by the World Bank and the Institute of Chartered Accountants of Bangladesh at Sonargaon Hotel.

Mohammad Atikuzzaman, team task leader of the WB, gave an overview of strengthening financial reporting framework and audit practice.

Referring to the multilateral agency's updated "Report on the Observance of Standards and Codes (ROSC)", he said the SoEs and other PSEs, which represent large investment of public money, do not have a structured financial reporting framework.

There is no statutory requirement for SoEs with respect to the IFRS, and thus there is a wide variation in financial reporting practice among SoEs.

"The regulatory authorities are mainly concerned with reviewing budget and the receipt of periodic utilisation."

There is a need for quality financial reporting among the SoEs to ensure accountability in the use of public resource and to achieve the expected results, both financial and social, he said.

The ROSC also recommended the government should develop a comprehensive financial reporting framework with enforcement and implementation mechanism, he said.

He also emphasised effective and efficient use of public resource, strong accountability and fostering public-private partnerships for better public service delivery.

ICAB President Adeb Hossain Khan said the financial reporting

framework for the private sector in Bangladesh is sufficiently comprehensive and satisfactorily documented, driven partly by demands of stakeholders, partly by global standards and partly by professionalism of standard setters.

"A framework for the public sector close to this or its equal is long overdue," he said.

Burhanuddin Ahmed, a chartered accountant, presented a keynote on the current reporting system of the PSEs and suggested measures for strengthening the financial reporting framework in line with international benchmarks.

A number of studies conducted by the WB between 2003 and 2010 have assessed the status of accounting and auditing in the public sector with reference to international standards and best practices.

The reports identified various gaps in the institutional and regulatory framework and made recommendations, he said.

Even a follow-up report in 2014 by the WB noted that the gaps identified a decade ago still remain, though somewhat narrowed down on some dimensions, Ahmed said.

Without an acceptable financial reporting framework, the management does not have an appropriate basis for preparing financial statements and the auditor does not have suitable criteria for auditing the financial statements.

Mohammad Muslim Chowdhury, additional secretary of the finance ministry, and Suraiya Zannath Khan, lead financial management specialist of the WB, also spoke.



Bank Asia Chairman A Rouf Chowdhury attends a board meeting of the bank on Sunday when the bank approved the audited accounts of the bank for 2016. Vice Chairman AM Nurul Islam, Chairman of the Executive Committee Rumea A Hossain, Chairman of the Board Audit Committee Mashiur Rahman, Director Md Nazrul Huda and Managing Director Md Arfan Ali were also present.

## BB appoints new chief economist



STAR BUSINESS DESK

Bangladesh Bank has recently appointed Faisal Ahmed as its chief economist.

Ahmed has been serving as the senior economic adviser to the governor of Bangladesh Bank since August 2015.

Previously, he was the IMF resident representative in Cambodia during 2011-2015, a senior economist in the Asia and Pacific, Monetary and Capital Markets departments, and a core member of the emerging markets surveillance team at the IMF.

Ahmed holds a PhD and an MA in economics from the University of Minnesota, an MFin from Princeton University. He is also a CFA Charterholder.

## ADB awards essay contest winners in Bangladesh

STAR BUSINESS REPORT

The Asian Development Bank (ADB) yesterday awarded four winners of an essay competition celebrating its 50th founding anniversary. Hun Kim, director general of the Manila-based lender's South Asia department, handed the prizes to the winners at its country resident mission in Dhaka.

Toufikul Islam, a student of electrical and electronic engineering of Dhaka University, won the first prize.

Arefin Mizan, a student of mass communication and journalism at DU, and Tanvir Ahmed, a student of urban and regional planning at Jahangirnagar University, won the second and third prizes respectively.

A special prize was given to Sumaiya

Akhter, a student of accounting and information systems at the JU.

The first prize of the competition is \$500 while the second prize is \$300, the third prize \$200, and the special prize \$100.

The topic of the essay competition was "Transforming Bangladesh into a Developed Country by 2041: Role of ADB". A total of 113 students participated in the competition.

"I am pleased to see wide participation in the competition. This reflects the youths' interests in ADB operations in Bangladesh," said Kim in a statement.

"I look forward to further enhancing our deep and productive partnership with Bangladesh as we work together for the country's future development."

## Steelmakers bumping up billet production

FROM PAGE B1

Vessels with scrap often have to wait for a long time at ports, causing importers to pay fines, Alihussain said. Between 2008 and 2014, local steel production was almost stagnant at 25-30 lakh tonnes per year.

But the production capacity rose in the subsequent years because of an expansion drive by major players, as steel consumption is expected to go up in the coming years to feed the demand for an economy growing at upwards of 6 percent annually.

The demand for steel has been growing at nearly 10 percent annually, said Mohammed Jahangir Alam, managing director of GPH Ispat. The increased domestic production of billet has reduced the cost of import. "We are saving a minimum of \$150 each tonne by importing scrap."

"Billet production itself is a big industry," Alam said, adding that local production is

also helping create jobs and boost expertise. GPH is raising its billet production capacity to nearly 10 lakh tonnes a year from existing 1.70 lakh tonnes.

The company will also increase its rod production capacity to ensure production of 7-8 lakh tonnes of steel from next year.

"In one or two years we will not need to import billet. If we want, we will be able to export." Alam went on to urge the government to ensure long-term low-cost loans to facilitate increased investment in the steel industry. Currently, entrepreneurs get loans for five years. "Short tenure and high interest put off investors from expanding their capacities."

Alam said reputed business houses can be allowed to raise money from public for their new firms in the green-field category.

Green-field companies are those that are listed on the stock exchange before they go into commercial operation.



Officials of GSK and CARE attend a programme at Hotel Lakeshore in Dhaka yesterday to share the results, success and learning of CARE-GSK Community Health Worker Initiative, which is aimed at improving maternal child health status in Sunamganj district.

## Tannery workers await job assurance at Savar units

FROM PAGE B1

The assurance letter is imperative, said some aggrieved workers. Otherwise, there is no guarantee that the owners will employ them at the Savar units.

"The management at my factory said they will give the assurance letters within two or three days. They have been promising to do so for many days now," said Mohammad Azad, a machine operator.

Many workers have been employed in factories for 20 to 30 years and they have to present evidence of their employment duration to avail their service benefits, said SM Monjurul Hoque, a union leader of a factory. The major service benefits of the tannery workers are gratuities, annual earned leave benefits, provident fund and other allowances. If the workers are not given their assurance certificates, they might not be able to claim service benefits or jobs at the new factory sites.

The owners are also not implementing the bilateral agreement that was signed between the owners and workers in January 2016, assuring them of accommodation, canteens,

mosques, schools and hospitals at the Savar tannery estate, said Abdul Malek, general secretary of the Tannery Workers Union. As per the agreement, the owners only increased 25 percent of the basic salaries of the workers, apart from annual increment, said workers.

Every year, the tanners are also supposed to give the permanent status to 40 percent of temporary workers. But they are not giving it to even 20 percent of workers.

The owners were supposed to implement the agreement within a month of signing it, but it has not been implemented even after a year and four months.

The owners and government should at least establish a 50-bed hospital at the Savar tannery estate for the treatment of workers as there is a high risk of injuries.

The tanners started shifting their machinery and office equipment as the DoE disconnected the power, gas and water supplies to the factories on April 8.

The workers said they have been passing tough days without water, gas and power supplies, especially the women and children who lived on the factory premises.

## Mobile operators call for lifting VAT on internet use

FROM PAGE B1

Referring to an international study in a presentation, Robi's Executive Vice President Shahed Alam said the mobile operators' contribution to the economy stands at 6.2 percent. If the government reconsiders the tax and other regulatory issues, their contribution can reach about 8 percent by 2020, he added.

The sector's contribution to the economy in India is 6.5 percent, 5 percent in Myanmar and 3.2 percent in Indonesia, he added.

The high price of mobile handsets is also a barrier to digitisation, said operators. The tax on handsets is more than 25 percent.

Of the total number of handsets in use at present, only 27 percent are smartphones, officials added.

From the start of 3G services in Bangladesh, operators have invested more than Tk 30,000 crore and covered around 65 percent of the geographical area of the country.

Because of the high price of spectrum, operators cannot purchase much spec-

trum; that is why service quality is declining, said Alam.

The country has spectrum of 330 MHz but the telecom regulator only allocated 182 MHz.

"Unused spectrum will not bring revenue for the government. Rather, if this spectrum is allocated or sold to the operators at a lower price, it will help improve service quality," said Alam.

Operators also want some long-pending issues with the NBR to be resolved soon, like the SIM replacement tax matter that is worth more than Tk 2,000 crore.

"These long pending disputes make the investors anxious," said Kabir.

Unless the government quickly responds to these issues, the quality of services will decline, he said.

Nojibur Rahman, chairman of the NBR, said they will take such measures that will benefit all the parties -- the government, customers and operators.

Mahtab Uddin Ahmed, managing director of Robi, and Petter-B Furberg, chief executive officer of Grameenphone, also spoke.

## Onion prices on the rise again

FROM PAGE B1

A large portion of onions have already gone towards stocking, said Md Aminul Islam, a wholesaler at Sathia, another growing district in northwest Pabna. "Stockists sometimes offer higher prices than us to grab onions," he said.

The excessive rainfall during the harvesting period has affected crops in the locality, according to Islam.

"A large portion of the onions have become rotten as a result of the hailstorm. This is another reason for the spiral in prices," he said. Farmers planted onion on 2.10 lakh hectares this fiscal year, according to the Department of Agricultural Extension's estimates. Influenced by the increased prices of locally grown onion and sluggish import early this month, the prices of imported bulbs also increased, Narayan said.

In Dhaka, imported onions sold at Tk 22-Tk 26 each kg yesterday from Tk 20-Tk 22 a week ago.

The locally grown ones sold at Tk 28-Tk 32 per kg at the retail level yesterday from Tk 24-Tk 28 a week ago, according to the Trading Corporation of Bangladesh. However, the prices are still lower than a year ago, TCB data showed.

Bangladesh consumes 20 lakh tonnes of onion a year but it has to rely on imports due to inadequate production. Onion acreage and production have been on the rise since 2013-14 because of growers' renewed interest. But yields still are not enough to meet the demand.

Onion production grew 2 percent year-on-year to 17.35 lakh tonnes in fiscal 2016. It was grown on 1.77 lakh hectares that year, according to Bangladesh Bureau of Statistics.



Mohammed Farashuddin, chairman of Southeast Bank-The Financial Express-Policy Research Institute Green Award Trust; Fazole Kabir, governor of Bangladesh Bank, and Alamgir Kabir, chairman of Southeast Bank, attend a programme in Dhaka on April 15 when the trust honoured entrepreneurs and organisations for their contribution towards environment-friendly business operation, sustainable community development and poverty reduction.



Syed Mahbubur Rahman, managing director of Dhaka Bank, hands over a cheque for Tk 13.69 lakh to Syed Mohammad Selim, headmaster of Syedpur Abdur Rahman High School, to complete the construction work of the school's new academic building for higher secondary level.