



The Financial Reporting Act, Cost Audit and Implications for the Cost Auditors' Professional Accountancy Institute

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Abstract

The paper has given an overview of the origin and objectives of the Financial Reporting Act 2015 (FRA) with an unofficial English version thereof. Then it highlights on the cost audit under the FRA, which is included in the statutory definition of "audit service" to be conducted by practicing cost and management accountant (CMA) after being enlisted in accordance with the provisions of Chapter V of the FRA. Thereafter, the paper broadly covers the legal provisions in the FRA on professional accountancy institutes (PAIs) with special focus on the Institute of Cost and Management Accountants of Bangladesh (ICMAB) being one of the two PAIs and the cost auditors' PAI. Accordingly, under the FRA, ICMAB has a number of responsibilities and obligations including taking punitive measure against the enlisted cost auditor for punishment by the Financial Reporting Council (FRC); ensuring the public interest-related oversight through taking effective measures in association with the FRC; and giving consultation and assistance to the FRC for setting standards, making rules or regulations. There are also some implications of the FRA on ICMAB or its members or cost audit practice including ICMAB's punishment to any of its members to disqualify him to be FRC's Chairman or Executive Director; FRC's Audit Practice Review Division's observance of ICMAB's activities regarding cost audit practice; cost audit practice to be unauthorized while ICMAB's action under disposal on FRC's enforcement recommendation; and enlisted cost auditor to intimate the FRC, ICMAB or concerned regulator about public interest entity's inaction on severe irregularity within prescribed time. The paper concludes with an expectation that the cost audit would ultimately flourish with its full potential under the FRC's oversight and enforcement regime since its fundamental obligation is to develop the accounting discipline as well as cost and management accounting profession.

Keywords: Financial Reporting Act, Cost audit, Cost auditor, Professional accountancy institute, ICMAB.

Disclaimer: The views expressed in the paper by the author are of his own and not linked with his institutional capacities.

1.0 Introduction

With the emergence of the Financial Reporting Act 2015 (FRA) as an overriding statute for financial reporting of all the public interest entities (PIEs), irrespective of the legal status of the entities, it is a matter of concern for everybody who is involved with the activity chain of financial reporting of any public interest entity. This paper is an endeavor to give an overview of the FRA 2015 and some reflective assessments of the purview of cost audit thereunder and potential implications thereof on the professional accounting institute (PAI) regulating the cost auditing profession of Bangladesh.

The paper is divided into five sections. Next section gives a brief overview of the origin and objectives of the FRA 2015. Third section highlights on the cost audit under the FRA. Subsequent section encompasses the legal provisions in the FRA on professional accountancy institutes (PAIs) with special focus on the Institute of Cost and Management Accountants of Bangladesh (ICMAB) being one of the two PAIs. Then the paper ends with a conclusion in the fifth section.

2.0 The Financial Reporting Act: Origin and Objectives

The reference of the FRA was first made in World Bank's ROSC (Report on the Observance of Standards and Codes) report (May 16, 2003) as the "proposed Financial Reporting Act" to establish a new independent oversight body, which may be called Financial Reporting Council (World Bank, 2003: 12). In the Budget Speech of 2008-09 (dated 09 June 2008), for the first time it was mentioned that steps were taken to formulate Financial Reporting Ordinance, 2008 to constitute a Council to regulate and oversee the financial reporting activities of the Public Interest Entities (PIEs) including corporate sector entities. Then the Financial Reporting Ordinance, 2008 (Ordinance No. LXIV of 2008) was promulgated by the Honourable President on 28 December 2008 and published in the official Gazette on 30 December 2008, but this ordinance was never implemented. From 2011 to 2014, each year, the Finance Minister mentioned in his budget speeches that preparing the Financial Reporting Act and establishing the Financial Reporting Council was a work in progress. On 26 January 2015, the Financial Reporting Bill was placed in the Parliament and on 06 September 2015, it was passed in the Parliament and published in the official Gazette on 09

September 2015. The legal establishment of the Financial Reporting Council (FRC) was done on 23 April 2016. But its first Chairman was appointed in June 2017, who joined on 02 July 2017 (Bala, 2017a; Bala, 2017b). The twelve-member FRC is yet to be fully formed with its Member-Secretary who is to be nominated by the FRC Chairman from the four Executive Directors after their appointment. First meeting of the FRC was held on 10 August 2017 with a Secretary in Charge being a Deputy Secretary, Finance Division, Ministry of Finance.

There are ten chapters and 73 sections in the FRA, which are as follows: Chapter I (Preliminary; §1-2), Chapter II (Council's establishment, formation, etc.; §3-9), Chapter III (Council's chairman, officials etc.; §10-21), Chapter IV (Council's functional divisions, responsibilities, code etc.; §22-30), Chapter V (Enlistment, renewal etc.; §31-39), Chapter VI (Standards setting and monitoring, publication etc.; §40-47), Chapter VII (Offence, investigation, fine and punishment, appeal etc.; §48-54), Chapter VIII (Financial matters of the Council; §55-58), Chapter IX (Appurtenant amendment of certain statutes; §59-65), and Chapter X (Miscellaneous; §66-73). It is interesting to note that the FRA is a new Act, but Chapter IX of the FRA includes amendment provisions of seven statutes, viz., the Bangladesh Chartered Accountants Order, 1973 (P.O. No. 2 of 1973); the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977); the Banking Companies Act, 1991 (Act No. XIV of 1991); the Financial Institutions Act, 1993 (Act No. XXVII of 1993); the Companies Act, 1994 (Act No. XVIII of 1994); the Microcredit Regulatory Authority Act, 2006 (Act No. XXXII of 2006); and the Insurance Act, 2010 (Act No. XIII of 2010). However, for section 66 (Not to extenuate any measures under any other laws), the FRA is one kind of 'super regulation'. In terms of applicability, under section 66(1), the proceeding or measure taken under the FRA, or the rules or regulations made thereunder, shall be in excess of measures taken under any other laws and shall not extenuate the measures taken under other laws [u/s 66(1)].

The principal objective of the FRA is the establishment of the FRC for three-fold purposes in relation to 'financial reporting activities' of PIEs: (a) Well-regulation of PIEs' financial reporting activities; (b) Standard-setting for the accounting and auditing profession; and (c) Oversight of financial reporting related incidental activities. These three-fold purposes have been elaborated into seven general objectives under section ('§' or "sec." hereinafter used to represent 'section' and

"u/s" to represent "under section")¹ 7 of the FRA: (i) setting standards of accounting and auditing profession, standards relating to ethics, etc.; (ii) improving qualitative standards of accounting and auditing services; (iii) developing of accounting and auditing profession; (iv) ensuring the highest level of standard of accounting and auditing activities of the auditors enlisted with the FRC; (v) enhancing the reliability of the financial reports; (vi) ensuring integrity and transparency of professional activities of accounting and auditing and giving cooperation in increasing the capability thereto; and (vii) motivating PIEs in preparing high standard report of financial and non-financial information (Bala, 2017b).

The original FRA is in Bangla language. Under section 73 of the FRA, there will be an Authentic English Text of the Act and in the event of conflict between the English Text and the Bangla Text, the Bangla Text shall prevail. The authentic English Text is yet to be available. In the *Annexure-I* of this paper, an unofficial English version of the FRA is given for ready reference for the interested readers with some footnotes on errors and confusion. Following are some examples of those errors or printing mistakes:

- "Bangladesh Securities and Exchange Commission" is mentioned as "Securities and Exchange Commission" [u/s 2(8)(a)(ii)].
- In the definition of "regulation" u/s 2(20), reference section is mentioned as "section 70" (which is on "Power to make rules") in place of "section 71" (which is on "Power to make regulations").
- In the definition of "rule" u/s 2(23), somehow reference section is mentioned as "section 69" (which is on "Savings of standards issued by professional accountancy institutes") in place of "section 70" (which is on "Power to make rules").
- In section 6(1)(c), reference of section 13 might be used here, because section 11 deals with "Chairman's appointment, qualifications, etc." and section 13 deals with "Disqualification of the Chairman and Executive Directors."
- In section 17(2), "financial standards" in place of "financial reporting standards" is written.
- In section 21(4), "Auditor General" in place of "Comptroller and Auditor General" is written.
- In section 29, "Insurance Regulatory Authority" in place of "Insurance Development and Regulatory Authority" is written.
- In place of "Council", "Commission" used once in section 55(4) and "Authority" used twice in section 56(4).
- In section 64, "new section 14A" is used in place of "new sections 14A, 14B and 14C".

3.0 Cost Audit under the FRA

The origin of the concept of cost audit could be traced to the Second World War period (1939-1945) when the practice of assigning cost plus contracts started (ICAI, 2015: 16.1). But as noted by Burrowes and Persson (2000), documentary evidence on the management audit in the private sector in Sweden dates back to 16 September 1657, when the Swedish Tar Company, Compagniets Directionen, was issued with an audit report which included an opinion on the effectiveness of the management (Burrowes and Persson, 2000: 90) and the need for a management audit was recognised in the UK as early as 1932 (Rose, 1944; vide Burrowes and Persson, 2000: 85). Although management audit is not under any statutory ambit, but cost audit is statutorily prescribed in three countries (India, Bangladesh and Pakistan) of the Indian sub-continent. In India, the statutory provision regarding cost audit was introduced in the Companies Act, 1956 by the Companies (Amendment) Act, 1965 (Tikhe, 1977: 6), but the Cost Audit (Report) Rules were framed first in 1968 to provide for the cost auditors about their scope of work and reporting. In Bangladesh, the statutory provision on cost audit was first introduced in the Companies Act, 1994 (effective from 01 December 1994) in section 220, which was on "Audit of certain matters by Cost and Management Accountants" (GOB, 1994). But the Ministry of Commerce made the Cost Audit (Report) Rules, 1997 on 18 November 1997 to pave the way of cost audit in practice (see GOB, 2001). Pakistan introduced the provision on cost audit in the Companies Ordinance, 1984 (promulgated on 08 October 1984) in section 258, which was on "Audit of Cost Accounts" (GOP, 1984). But the scope of practical cost audit was created when the Corporate Law Authority made the Companies (Audit of Cost Accounts) Rules, 1998 on 21 October 1998 (GOP, 1998).

Cost audit under the FRA 2015 is included in the statutory definition of "audit service" defined u/s 2(16). Although, it is to be noted that in the Financial Reporting Ordinance,

¹ Any reference of section means section of the Financial Reporting Act, 2015, if not mentioned with reference to any specific statute.

2008 (Ordinance No. LXIV of 2008), which was promulgated by the Honourable President on 28 December 2008 and published in the official Gazette on 30 December 2008 (GOB, 2008), there was no separate definition on "audit service". Audit service was then included in definition of "professional accounting service". The definition of "professional accounting service" was in sub-section (16) of section 2 of the Financial Reporting Ordinance, 2008 (FRO 2008) which was as follows: "professional accounting service" means services provided by a professional accountant on subjects related to accounts, audit, tax system, management advisory or financial management (GOB, 2008). However, in the Financial Reporting Bill [which was placed on 26 January 2015 in the fifth Session of the Parliament (held from 19 January 2015 to 02 April 2015) by the Finance Minister and the Bill was published in the official Gazette also on the same date as Bill No. 04/2015; vide POB, 2015; GOB, 2015a], limiting the definition of "professional accountant" only to 'Chartered accountant' as defined in Article 2(1)(b) of the Bangladesh Chartered Accountants Order, 1973 (P.O. No. 2 of 1973) under section 2(18), cost audit was excluded in the Financial Reporting Bill. In the FRA 2015, under section 2(16), "audit service" means a service provided in accordance with sections 210 to 220 of the Companies Act, 1994 (Act No. XVIII of 1994) and equivalent service performed under other statutory acts. Thus, audit service defined here is pervasive in term of coverage and beyond the scope of mandatory corporate annual statutory audit by practicing chartered accountants (CAs) as follows:

- Statutory audit to be conducted by an appointed auditor being a "chartered accountant" within the meaning of the Bangladesh Chartered Accountants Order, 1973 and provisions of sections 210 to 219 of the Companies Act, 1994 are hereby applicable [Appointment and remuneration of auditors (§ 210), Provisions as to resolutions for appointing or removing auditors (§ 211), Qualification and disqualification of auditors (§ 212), Power and duties of auditors (§ 213), Audit of accounts of branch office of company (§ 214), Signature of audit report, etc. (§ 215), Reading and inspection of auditor's report (§ 216), Right of auditor to attend general meeting (§ 217), Penalty for non-compliance with sections 211 to 217 (§ 218) and Penalty for non-compliance by auditor with sections 213 and 215 (§ 219)];

- Audit of cost accounts or cost audit of those companies specified through a Government order under section 220 of the Companies Act, 1994 [Audit of certain matters by Cost and Management Accountants (§ 220)] and to be conducted by an auditor who shall be a 'cost and management accountant'(CMA) within the meaning of the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977); and
- Equivalent service performed under other statutory acts to be treated as "audit service." For example, the professional accountancy institutes (ICAB and ICMAB) are not corporate bodies, but their accounts are subject to audit by practicing CAs also. Under Bye-law 136(1) of the Institute of Chartered Accountants of Bangladesh Bye-laws, 2004 (published in December 2004), for the audit of accounts of the ICAB, two auditors from the ICAB's members (except member of the Council of ICAB or a person who is in partnership with such member) shall be appointed at each annual meeting (ICAB, 2004). Under section 18(4) of the Cost and Management Accountants Ordinance, 1977, the annual accounts of the ICMAB shall be subject to audit by a chartered accountant (except member of the Council of ICMAB or a person who is in partnership with such member) within the meaning of the Bangladesh Chartered Accountants Order, 1973 (GOB, 2015c).

Under section 2(18) of FRA, as a "professional accountant," in case of performing functions including cost audit, members of the Institute of Cost and Management Accountants of Bangladesh (ICMAB) shall be run pursuant to the Cost and Management Accountants Ordinance, 1977. Hence, under section 2(14) of FRA, cost audit practice refers to cost audit service provided by a cost auditor, who u/s 2(13) is any individual person, or owner or partner of an audit firm or any person employed therein involved in audit service activities, who is registered as a member of ICMAB or cost audit firm, which u/s 2(15) is any enterprise or firm run individually or through joint partnership, whether registered or not, providing cost audit service. Here, this registration u/s 2(12) means a cost and management accountant (CMA) registered as a member of the ICMAB being a professional accountancy institute (PAI) defined u/s 2(19). When the enlistment of auditor will be started by the FRC, the practicing cost auditor is

also to be enlisted and then u/s 2(9), "enlisted cost auditor" means any cost auditor enlisted in accordance with the provisions of Chapter V titled "Enlistment, renewal etc." [i.e., Enlistment of auditors (§31), Application for enlistment, etc. (§32), Postponement, cancellation of the enlistment certificate (§33), Unauthorized audit practice (§34), Auditor's report and opinion (§35), Serious irregularities (§36), Auditor's independence in case of observance of responsibilities (§37), Conflict of interest (§38), and Public interest-related observation in cooperation with professional accountancy institute (§39)] for operating activities as cost auditor of PIEs under FRA.

As per rule 2(1)(c) of the Cost Audit (Report) Rules 1997, "cost auditor" means "Cost and Management Accountant" as defined in the Cost and Management Accountants Ordinance 1977 and any Cost Audit firm also included in it. As per rule 6 of the same Rules, a Cost and Management Accountant cannot be appointed as a Cost Auditor unless he deserves a certificate of practice issued by ICMAB and a cost audit firm whereof all the partners practicing in Bangladesh are qualified as cost auditor may be appointed by the name of its firm as the Cost Auditor of a company in which case any of the partners may act in the name of the firm (ICMAB, 2004: 28-29). Regarding cost audit, the cost auditors, where applicable, have to undertake the cost auditing activities after observance of the Bangladesh Cost Accounting Standards (BCAs) set by ICMAB. ICMAB has already set ten BCAs (BCAS I to BCAS 10) in December 2014 and thirteen BCAs (BCAS 11 to BCAS 23) in November 2016 (ICMAB, 2014; ICMAB, 2016). Until any new standards are set by the FRC, the applicability of these standards will continue u/s 69 of the FRA.

4.0 Cost Auditors' Professional Accountancy Institute (PAI) in the FRA and Implications Thereon

Under section 2(19) of the FRA, "professional accountancy institute" (PAI) means the Institute of Chartered Accountants of Bangladesh (ICAB) established under the Bangladesh Chartered Accountants Order, 1973 and the Institute of Cost and Management Accountants of Bangladesh (ICMAB) established under the Cost and Management Accountants Ordinance, 1977 [u/s 2(19) of the FRA]. Thus, ICAB and ICMAB are the two recognized PAIs in the FRA and the PAI of cost auditors is the ICMAB.

Except in the Chapter IX (Appurtenant Amendment of Certain Statutes) where the two statutes governing the two PAIs (ICAB and ICMAB) have been mentioned, there are 13 sections [sections 13, 25, 27, 33, 34, 36, 39, 42, 52, 67, 69, 70 and 71] in 6 chapters (Chapters III, IV, V, VI, VII and X), where the reference of 'professional accountancy institutes' (PAIs) has been given. The relevant issues, which are equally related to ICMAB as well as ICAB, are as follows:

- *Disqualification of the Chairman and Executive Directors (sec. 13):* A person cannot be the Chairman or Executive Director (ED), if he is punished by any professional institute [u/s 13(i)], which includes PAIs.
- *Responsibilities of the Audit Practice Review Division (sec. 25):* One of the responsibilities of the Audit Practice Review Division (APRD) of the Financial Reporting Council (FRC) shall be observing the activities of the PAIs in relation to audit practice [u/s 25(1)(a)].
- *Preparation of audit practice code, regulation, etc. (sec. 27):* Notwithstanding anything followed by any PAI, if any audit practice code, guideline or regulation is prepared under section 27(1), it shall be effective immediately and shall get supremacy [u/s 27(2)].
- *Postponement, cancellation of the enlistment certificate (sec. 33):* If any enlisted auditor is punished u/s 48, the FRC may: (i) send to the PAI for taking punitive measure against the enlisted auditor pursuant to the laws concerned and intimating the FRC about the measure taken within the stipulated time [u/s 33(1)(e)]; or (ii) send to the PAI for taking measure for the cancellation of registration against the enlisted auditor pursuant to the laws concerned and intimating the FRC about the measure taken within the stipulated time [u/s 33(1)(f)].
- *Unauthorized audit practice (sec. 34):* Any PIE shall not engage in audit function such a person whose enlistment has been postponed by the FRC or whose enlistment has been cancelled by the FRC or as per recommendation of the FRC the matter on taking necessary measure against whom is under disposal by the PAI [u/s 34(1)].
- *Serious irregularities (sec. 36):* In case of not taking any measure by the concerned PIE

on matter of severe irregularity within 30 (thirty) days of intimation in writing under section 36(1), the enlisted auditor shall intimate, the matter with other information in such form as deemed fit, the FRC, PAIs, concerned regulatory body and any other statutory body pursuant to the Act or rules related therewith as per requirement [u/s 36(2)].

- *Public interest-related observation in cooperation with professional accountancy institute (sec. 39):* The FRC and the PAIs, individually and where applicable, jointly, shall ensure the public interest-related oversight through taking effective measures with a view to expanding and developing the accountancy profession including the maintenance of the highest standard of professional and business conduct mentioned in the certificate of the PAIs [u/s 39(1)]. The FRC and the PAIs shall meet at least 2 (two) times in a year in a review meeting in relation to financial reporting, development of audit practice and overall working plan including matters on making strategy and policy for reviewing under the FRA [u/s 39(2)].
- *Cooperation in setting standards (sec. 42):* The FRC shall, for setting financial reporting standards and auditing standards u/s 42, take consultation and assistance of the PAIs and in case of seeking such consultation and assistance, that PAIs shall be bound to provide necessary consultation and assistance [u/s 42].
- *Objection and hearing on recommendation of the Enforcement Division (sec. 52):* The PIE, enlisted auditor, audit firm or PAI may furnish objection on any recommendation of the Enforcement Division [u/s 52(1)].
- *Publication (sec. 67):* The FRC may, from time to time, on the matters included in its scope of work, publish circular, notice, advertisement, quarterly, half-yearly or yearly periodicals, etc. for the functional use of the PAIs, enlisted auditors, public interest entities and others concerned [u/s 67(1)].
- *Savings of standards issued by professional accountancy institutes (sec. 69):* Notwithstanding anything contrary in the FRA, the financial reporting and auditing standards, if any, adopted and published by the PAIs for the auditors in order to provide professional accounting services,

shall, until any similar standards are made under rules or regulations of the FRA, stand in such a way as if it were made under the FRA [u/s 69].

- *Power to make rules (sec. 70):* The Government (the Finance Division, Ministry of Finance) shall, for the purpose of making rules u/s 70(1), take consultation of the PAIs, and shall pre-publish those by advertisement in the official Gazette calling for opinion, advice or objection of all others concerned [u/s 70(2)].
- *Power to make regulations (sec. 71):* The FRC shall, for the purpose of making regulations u/s 71(1), take consultation of the PAIs, and shall pre-publish those by advertisement in the official Gazette calling for opinion, advice or objection of all others concerned [u/s 71(2)].

FRC's Mandatory Public Interest-related Observation in Cooperation with PAIs: Sec. 39

- The FRC and the PAIs, individually and where applicable, jointly, shall ensure the public interest-related oversight through taking effective measures with a view to expanding and developing the accountancy profession including the maintenance of the highest standard of professional and business conduct mentioned in the certificate of the PAIs [u/s 39(1)].
- The FRC and the PAIs shall meet at least twice a year in a review meeting in relation to financial reporting, development of audit practice and overall working plan including matters on making strategy and policy for reviewing under the FRA [u/s 39(2)].

Opportunity of Professional Accountants to be a Member of FRC:

There is no legal barrier on the professional accountants for inclusion in the 12-member FRC. Two members of the FRC must be from professional accountants (President of ICAB and President of ICMAB). Since the Executive Directors (EDs) of the Standards Setting Division (SSD), Financial Reporting Monitoring Division (FRMD) and Audit Practice Review Division (APRD) may be a professional accountant u/s 12(1)(a), so the ED being the Member-Secretary of the FRC (if chosen by the Chairman from among the three EDs of the SSD, FRMD and APRD) may be another professional accountant.

Amendment to the Statute of the Cost Auditors' PAI and the Implication Thereof:

The Cost and Management Accountants Ordinance, 1977 (CMAO), which governs the cost and management accountancy or cost auditing profession, has been amended by the FRA 2015 (the CMAO u/s 64) as follows:

- The functions of ICMAB shall be subject to the public interest oversight of the FRC in accordance with the FRA 2015, which shall ensure that the Institute meets its responsibilities to maintain high professional standards and develop the CMA profession (new section 14A of CMAO).
- ICMAB shall ensure that all members of the Institute shall comply with the Financial Reporting Standards and Auditing Standards issued by the FRC pursuant to section 40 of the FRA 2015 (new section 14B of CMAO).
- A person shall not be entitled to have his name entered in or borne on the Register if he has been removed from the membership of the Institute on being found on inquiry not to have complied with the Financial Reporting Standards and Auditing Standards issued by the FRC pursuant to section 40 of the FRA 2015 (new section 14C of CMAO).

Thus, under the FRC regime, ICMAB being under the public interest oversight of the FRC, must ensure its responsibilities to maintain high professional standards and develop the cost and management accounting profession, and its members' compliance with the FRC's Financial Reporting Standards and Auditing Standards, and impose enforcement through cancellation of membership on non-compliance thereof.

5.0 Conclusion

From 09 September 2015, the FRA has been in effect and the FRC has been legally formed on 23 April 2016, which has started operation from 02 July 2017, on joining of its first Chairman. The FRA is one kind of 'super regulation' with ten chapters and seventy-three sections with a special chapter (Chapter IX), which has amended seven other statutes including the statute governing the CMA profession. The super regulatory authority of the FRA is to be practiced by the FRC through well-regulation of PIEs' financial reporting activities; standard-setting for the accounting and auditing profession; oversight of financial reporting related incidental activities. Due to unavailability of the

authentic English Text of the FRA, an unofficial English version thereof is given in the Annexure-I of this paper to fulfill the related readers' interest.


Although in Bangladesh, cost audit provision was first introduced in the Companies Act, 1994, but the Cost Audit (Report) Rules were made on 18 November 1997. Under the FRA, cost audit is included in the statutory definition of "audit service" to be conducted by practicing CMA after being enlisted in accordance with the provisions of Chapter V of the FRA.

As the cost auditors' professional accountancy institute, ICMAB has a number of responsibilities and obligations under the FRA including: (i) taking punitive measure against the enlisted cost auditor if punished by the FRC; (ii) ensuring the public interest-related oversight through taking effective measures in association with the FRC; (iii) meeting with the FRC at least twice a year; (iv) giving consultation and assistance to the FRC for setting standards; (v) giving consultation to the FRC for the purpose of making rules u/s 70; and (vi) giving consultation to the FRC for making regulations u/s 71. In accordance with the provisions of the FRA, major implications on ICMAB or its members or cost audit practice include: (i) ICMAB's punishment to any of its members to disqualify him to be the Chairman or Executive Director of the FRC; (ii) FRC's Audit Practice Review Division's observance of ICMAB's activities regarding cost audit practice; (iii) FRC's cost audit practice code, guideline or regulation to have supremacy over ICMAB's own cost audit related rules or guidelines; (iv) cost audit practice to be unauthorized while ICMAB's action under disposal on FRC's enforcement recommendation; and (v) enlisted cost auditor to intimate the FRC, ICMAB or concerned regulator about PIE's inaction on severe irregularity within prescribed time.

As mentioned by Sen, Jain and Bala (2004):

Cost audit, as distinct from external financial audit conducted by chartered accountants, is not a phase of mere verification, authentication and certification of cost of production or cost of performing other functions. Its purpose is to go deeper in order to judge and report upon the overall and sectional operational efficiency of the organization subject to such an audit (Sen, Jain and Bala, 2004: 17).

As claimed by Shil (2015), "the rapid economic rising of today's India largely because of vital role of Cost Accountants after they have made the Cost

Audit compulsory in India" (Shil, 2015: 11). We also expect that cost audit practice, with its limited mandatory applicability and more limited real application, would ultimately flourish with its full potential under the FRC's oversight and enforcement regime on broader area of public interest entities' financial reporting and auditing activities under the Financial Reporting Act. 

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Annexure-1: The Financial Reporting Act 2015 (Unofficial English Text)

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Dhaka, 25 Bhadro, 1422/09 September, 2015

The following Act adopted by the Parliament has obtained the assent of the President on 25 Bhadro, 1422, that is, 09 September, 2015 and this Act is hereby published for the intimation of general public:—

Act No. XVI of 2015

An Act for the purpose of making provisions for establishing a Council for bringing public interest entities' financial reporting activities under a well-regulated structure, setting standards for the accounting and auditing profession, properly observing, implementing, supervising and executing other activities relating thereto.

WHEREAS it is expedient and necessary to make provisions for establishing a Council for bringing public interest entities' financial reporting activities under a well-regulated structure, setting standards for the accounting and auditing profession, properly observing, implementing, supervising and executing other activities relating thereto;

It is hereby enacted as follows: —

CHAPTER I

Preliminary

1. **Short title and commencement.**—(1) The Act may be called the Financial Reporting Act, 2015.
(2) It shall come into force immediately.
2. **Definitions.**— In this Act, unless there is anything repugnant in the subject or context,—
 - (1) **“Auditing standards”** means auditing standards made under section 40;
 - (2) **“Financial year”** means such a period, whether it being a full year or not, for which the profit and loss account of a public interest entity is presented in its annual general meeting;
 - (3) **“Financial statement”** means the interim or final balance sheet, income statement or profit and loss account, statement of changes in equity, statement of cash flows, notes and other particulars and explanatory statements thereon;
 - (4) **“Appellate Authority”** means, the Appellate Authority constituted under section 54;
 - (5) **“Committee”** means, any committee constituted under section 17;
 - (6) **“Council”** means, the Financial Reporting Council constituted under section 3;
 - (7) **“Chairman”** means, the Chairman of the Council;
 - (8) **“Public interest entity”** means—
 - (a) such an entity, which shall fulfill any of the following criteria, namely—
 - (i) a “banking company” as defined in section 5(o) of the Banking Companies Act, 1991 (Act No. XIV of 1991);²
 - (ii) a security issuing enterprise, which has obligation to submit report to the [Bangladesh]³ Securities and Exchange Commission in accordance with the Bangladesh Securities and Exchange Commission Act, 1993 (Act No. XV of 1993);
 - (iii) a “financial institution” as defined in section 2(b) of the Financial Institutions At, 1993 (Act No. XVII of 1993);

² The definition of “bank” under clause (b) of section 2 the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) has been replaced by section 3 of the Securities and Exchange (Amendment) Act, 2012, published in the official Gazette on December 10, 2012 as (in English): “bank” means a banking company as defined in the Banking Companies Act, 1991 (Act No. XIV of 1991).

³ Somehow not included.

- (iv) a “microcredit organization” as defined in section 2(21) of the Microcredit Regulatory Authority Act, 2006 (Act No. XXXII of 2006);
- (v) any “insurer” as defined in section 2(25) of the Insurance Act, 2010 (Act No. XIII of 2010);
- (vi) an entity whose annual revenue in preceding financial year has exceeded the monetary limit as prescribed by the Council by notification in the official Gazette;
- (vii) an entity which fulfills any of the 2 (two) conditions as stated below at the end of preceding financial year, if-
 - (1) it employs minimum number persons as prescribed by regulations,
 - (2) its total assets exceed the monetary limit as prescribed by the Council by notification in the official Gazette, and
 - (3) its total liabilities excluding shareholders’ equity exceed the limit of liability as prescribed by the Council by notification in the official Gazette;
- (b) following enterprises fulfilling the criteria mentioned in sub-clause (a) shall also be included, namely:-
 - (i) state-owned companies or commercial enterprises;
 - (ii) statutory authorities;
 - (iii) non-Government organizations run in private sector operating volunteering activities; and
 - (iv) any other similar entities or enterprises;
- (9) **“Enlisted auditor”** means any auditor enlisted in accordance with the provisions of Chapter V for operating activities as auditor of public interest entities under this Act;
- (10) **“Section”** means a section of this Act;
- (11) **“Prescribed”** means prescribed by rules or regulations made under this Act;
- (12) **“Registration”** means any accountant registered as a member of professional accountancy institutes;
- (13) **“Auditor”** means any individual person, or owner or partner of an audit firm or any person employed therein involved in audit service activities, who is registered as a member of a professional accountancy institute;
- (14) **“Audit practice”** means audit service provided by an auditor or audit firm;
- (15) **“Audit Firm”** means any enterprise or firm run individually or through joint partnership, whether registered or not, providing audit service;
- (16) **“Audit Service”** means a service provided in accordance with sections 210 to 220 of the Companies Act, 1994 (Act No. XVIII of 1994) and equivalent service performed under other statutory acts;
- (17) **“Director”** means any director defined under section 2(i) of the Companies Act, 1994 (Act No. XVIII of 1994) or any member of the board of a statutory Government body or organization;
- (18) **“Professional Accountant”** means members of the Institute of Chartered Accountants of Bangladesh shall be run pursuant to the Bangladesh Chartered Accountants Order, 1973 and members of the Institute of Cost and Management Accountants of Bangladesh shall be run pursuant to the Cost and Management Accountants Ordinance, 1977;
- (19) **“Professional accountancy institute”** means the Institute of Chartered Accountants of Bangladesh (ICAB) established under the Bangladesh Chartered Accountants Order, 1973 (P.O. No. 2 of 1973) and the Institute of ⁴Cost and Management Accountants of Bangladesh⁵ established under the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977);
- (20) **“Regulation”** means the regulation made under section 70;⁶
- (21) **“Financial Reporting Standards”** means financial reporting standards made under section 40;
- (22) **“Annual Report”** means financial statements and audit report of a public interest entity and documents published on an annual basis reflecting the activities of such entity including the report of the board of directors of the public interest entity concerned;
- (23) **“Rule”** means rule made under section 69;⁷
- (24) **“Member”** means a member of the Council;

⁴ Somehow “(is printed.

⁵ Acronym “ICAB” used in parenthesis after one Institute’s name, but acronym “ICMAB” not used in parenthesis after another Institute’s name.

⁶ Somehow reference section mentioned as “section 70” (which is on “Power to make rules”) in place of “section 71” (which is on “Power to make regulations”).

⁷ Somehow reference section mentioned as “section 69” (which is on “Savings of standards issued by professional accountancy institutes”) in place of “section 70” (which is on “Power to make rules”).

- (25) **“Recognized university”** means any university established by any Act or under any Act in force for the time being, and shall also include any other university declared as recognized by an appropriate authority; and
- (26) **“Government”** means, for the fulfillment of the purpose of this Act, the Finance Division of the Ministry of Finance of the Government of the People’s Republic of Bangladesh.

CHAPTER II

Council’s Establishment, Formation, etc.

3. **Establishment of the Council.**—(1) After commencement of this Act, the Government shall establish a Council namely the Financial Reporting Council by notification in the official Gazette.
(2) The Council shall be a body corporate and it shall have perpetual continuity and a common seal and subject to this Act and or rules or regulations made thereunder, it shall have the power to acquire, possess or transfer of both the immoveable or moveable property and it may file a case using own name and case may also be filed against it.
4. **Office of the Council.**—The head office of the Council shall be in Dhaka and the Council, if necessary, may, with prior approval of the Government, establish its branch office at any place in the country.
5. **Formation of the Council, etc.**—(1) The Council shall be formed with the following members, namely:—
 - (a) one Chairman appointed by the Government;
 - (b) one Additional Secretary of any of the Divisions under the Ministry of Finance nominated by the Government.
 - (c) one Additional Secretary nominated by the Ministry of Commerce;
 - (d) one Deputy C&AG nominated by the Comptroller and Auditor General of Bangladesh;
 - (e) one Deputy Governor nominated by the Governor of Bangladesh Bank;
 - (f) one Member nominated by the Chairman of the National Board of Revenue;
 - (g) one Commissioner nominated by the Chairman of the Bangladesh Securities and Exchange Commission;
 - (h) the President of the Institute of Chartered Accountants of Bangladesh (ICAB);
 - (i) the President of the Institute of Cost and Management Accountants of Bangladesh (ICMAB);
 - (j) one professor of the Department of Accounting of any public university nominated by the Government (for a fixed term);
 - (j) the President of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI); and
 - (k) one Executive Director nominated by the Chairman of the Council, who shall also be its Member-Secretary.

(2) The Chairman shall be the chief executive of the Council.
6. **Procedure to be followed in case of removal of any member of the Council.**—(1) The members as stated in clauses (a), (h), (i), (k) and (l) of sub-section (1) of section 5 may be removed from their membership, if he—
 - (a) is unable to perform responsibility due to physical or mental inability or notifies his refusal to perform responsibility; or
 - (b) fails or refuses to perform responsibility for a period of more than 3 (three) months without any reasonable cause; or
 - (c) becomes disqualified of being as a member pursuant to the provision of section 11;⁸ or
 - (d) does such act which is harmful to the Council; or
 - (e) so behaves, or uses own position in such a way that it hampers the purpose of this Act or public interest.

(2) The Government shall form an investigation committee to verify the causes stated in sub-section (1) and working procedure, scope, time limit for submission of report, required issues to be mentioned in investigation report, recommendation on removal and issues in relation thereto, of the committee, shall be prescribed by rules.

(3) Any member removed under this section, shall be disqualified for reappointment as a member of the Council or in any other position of the Council.

⁸ Reference of section 13 might be used here, because section 11 deals with “Chairman’s appointment, qualifications, etc.” and section 13 deals with “Disqualification of the Chairman and Executive Directors.”

7. **General objectives of the Council.**—General objectives of the Council shall be as stated below, namely:-
- (a) Setting standards of accounting and auditing profession, standards relating to ethics, etc.;
 - (b) Improving qualitative standards of accounting and auditing services;
 - (c) Developing of accounting and auditing profession;
 - (d) Ensuring the highest level of standard of accounting and auditing activities of the auditors enlisted with the Council;
 - (e) Enhancing the reliability of the financial reports;
 - (f) Ensuring integrity and transparency of professional activities of accounting and auditing and giving cooperation in increasing the capability thereto; and
 - (g) Motivating public interest entities in preparing high standard report of financial and non-financial information.
8. **Power and functions of the Council.**—(1) For executing its functions properly, the Council, subject to the provisions of this Act, shall apply all necessary powers and shall execute its functions.
- (2) The Council, without extenuating the totality of sub-section (1), shall apply its powers with respect to following issues and shall execute its functions:-
- (a) setting standards and implementing them in consideration of the perspective of socio-economic condition of Bangladesh and after keeping consistency with internationally accepted and quality financial reporting and auditing standards;
 - (b) ensuring compliance with internationally accepted quality standards set by the International Accounting Standards Board (IASB), International Auditing and Assurance Standards Board (IAASB) or related other international bodies;
 - (c) ensuring effective compliance, monitoring and enforcement of financial reporting and auditing standards set by the Council;
 - (d) setting necessary rules, regulations, standard guidelines and codes and ensuring their enforcement for the purpose of ensuring of qualitative standard of financial reporting, accounting and auditing;
 - (e) monitoring auditing practice and exercise of auditors for the purpose of maintaining high standard of professional conduct;
 - (f) giving advice on activities in relation to accounting and auditing and providing information related services as central information storage;
 - (g) enlisting auditors and maintaining related information in register and publication thereof;
 - (h) ensuring compliance of reporting requirement prescribed under any other Act;
 - (i) giving recommendations on academic certificates, courses and various teaching, training, internship, articleship and research activities run by professional accounting bodies and providing assistance in development;
 - (j) observing professional development activities run by professional accounting bodies for the fulfillment of the purpose of this Act;
 - (k) encouraging and where applicable, financing research on such a subject by which the financial report, accounting, auditing and corporate governance system can be enforced more effectively and efficiently by the Council, professional accountancy bodies or any other entity concerned;
 - (l) making necessary rule or regulations for conducting accounting and auditing activities properly;
 - (m) conducting investigation and activities in relation thereto under this Act;
 - (n) taking suitable procedure or scheme and implementing those for achieving the objectives and performing the functions of the Council;
 - (o) engaging or where applicable, executing memorandum of understanding and agreement, with such local or international institutional initiatives which are related to the objectives and functions of the Council or helpful thereto it;
 - (p) fixing charge and fee on services provided by the Council;
 - (q) imposing fine under this Act and rules made thereunder;
 - (r) giving recommendation or advice to the Government about financial report, non-financial report, financial statement, annual report, accounting and auditing or subjects related thereto; and
 - (s) doing such other activities, which the Council deems fit, for the purpose of implementing its general objectives and functions for the fulfillment of the purpose of this Act.

9. **Meeting of the Council.**—(1) The Council may determine the working procedure of its meeting subject to other provisions of this section.
- (2) The meeting of the Council shall be held at the place and time as determined by its Chairman.
 - (3) At least one meeting of the Council shall be held in every 3 (three) months, but meeting may be convened by a notice of the shortest time in case of emergency necessity.
 - (4) A total 3 (three) members may, in writing, request the Chairman to convene a special meeting for the purpose of holding discussion or taking decision on a particular matter and the Chairman shall convene the meeting within 15 (fifteen) days of receiving such request.
 - (5) There shall be a requirement of the attendance of at least one-third members of its total members for the formation of quorum in a meeting of the Council.
 - (6) The Chairman shall preside over all the meetings of the Council and in his absence, any one member nominated in written by him shall preside over the meeting.
 - (7) Every member of the Council shall have one vote and decision in the meeting shall be taken on the basis of majority votes, but in case of equality of votes given, the presiding person shall have the right to cast second or deciding vote.
 - (8) No action or proceeding of the Council shall be illegal or no question relating thereto shall be raised at any court or elsewhere, only due to the vacancy of any membership or having any defect in the formation of the Council.

CHAPTER III

Council's Chairman, Officers etc.

10. **Selection committee.**—(1) The Government shall, by a notification in the official Gazette, for the purpose of giving recommendation for appointment in the posts of Chairman and Executive Director, form a selection committee in the following manner:—
- (a) Comptroller and Auditor General of Bangladesh — Chairman;
 - (b) one Member nominated by the Chairman of Bangladesh Public Service Commission — Member; and
 - (c) Secretary, Finance Division — Member.
- (2) In case of the appointment of the Executive Directors, the Chairman of the Council shall also remain as the member of the selection committee stated in sub-section (1).
 - (3) The committee formed under sub-section (1) shall determine the working procedure of its meeting.
 - (4) The Finance Division shall provide necessary secretarial assistance for performing the activities of the selection committee.
 - (5) Subject to the observance of provisions of sections 11 and 12, the selection committee formed under sub-section (1), after preparing a list of 2 (two) persons against the vacant post of the Chairman on basis of an unanimous decision taken in its meeting and a list of 2 (two) appropriate persons against each of the vacant posts of Executive Directors on the basis of the decision of the selection committee formed combining sub-sections (1) and (2), shall submit such lists to the Government with recommendation.
 - (6) The Government shall give the appointment in the post of Chairman on basis of recommendation of the selection committee formed under sub-section (1) and in the posts of Executive Directors on basis of recommendation of the selection committee formed combining sub-sections (1) and (2).
- Explanation.**—In this section, the meaning of “Secretary” shall also include Senior Secretary.
11. **Chairman's appointment, qualifications, etc.**—(1) The Government shall appoint a person having experience of executive functions for at least 15 (fifteen) years including post-graduate degree in the subject of accounting or business administration or economics or law or finance or banking from any recognized university as the Chairman for a term of 4 (four) years:
- Provided that a person shall not be eligible for obtaining appointment as the Chairman for more than 2 (two) terms at a stretch or otherwise.
- (2) If the post of the Chairman becomes vacant or when the Chairman becomes unable to perform his responsibilities due to absence, sickness or any other reason, any member of the Council nominated by the Government shall perform the responsibilities as the Chairman until the new Chairman takes the charge in the vacant post or until the Chairman becomes able again to perform own responsibilities.
12. **Executive Directors' appointment, qualifications, etc.**—(1) Of sub-section (1) of section 22 of this Act—

- (a) for appointment in the posts of Executive Directors of the divisions mentioned in clauses (a), (b) and (c) the candidate shall have at least 10 (ten) years of practical experience including post-graduate degree in the subject of business administration or accounting, or economics or law or finance or banking or professional degree in accounting; and
 - (b) for appointment in the post of Executive Director of the Enforcement Division mentioned in clauses (d) the candidate shall have at least Bachelor (Honours) degree in the subject of law and at least 10 (ten) years of experience on matters relating to the activities of the said division.
- (2) The Executive Directors shall remain posted in own post for a term of 4 (four) years from the date of their appointment and shall be eligible for reappointment for similar one more term.
- (3) Before the expiry of the term fixed under sub-section (1), Executive Directors may resign at any time from their own post through a letter putting own signature communicated to the Government after giving a written notice of 3 (three) months:
 Provided that the said resignation shall not be effective until the Government has accepted the resignation letter.
- 13. **Disqualification of the Chairman and Executive Directors.**—Any person shall not be eligible for being appointed or to continue to be as the Chairman or executive director, if he—
 - (a) is not a citizen of Bangladesh; or
 - (b) is declared as bankrupt by an appropriate court; or
 - (c) is declared as a debt defaulter by any bank or financial institution; or
 - (d) is punished for at least 3 (three) years of imprisonment being convicted by any court for any criminal offence; or
 - (e) is unable to perform responsibilities due to physical or mental sickness; or
 - (f) takes any financial benefit directly or indirectly from such matter whereto the Council has the jurisdiction for adjudication; or
 - (g) is, after being appointed, engaged, in own name or in the name of other person, with activities of accounting or auditing services as a professional accountant or, where applicable, is in work as a lawyer, directly or indirectly in exchange of anything or without receiving any consideration; or
 - (h) completes the age of 65 (sixty five) years;
 - (i) is punished by any professional institute; or
 - (j) is punished due to tax evasion.
- 14. **Remuneration and facilities of the Chairman and Executive Directors.**—The Government shall fix the remuneration, allowance, benefits and facilities and other conditions of service of the Chairman and Executive Directors by rules:
 Provided that until the rules are made, the conditions fixed through issuing general order by the Government for such purpose shall remain effective.
- 15. **Honorarium.**—The members participating in any meeting of the Council and the member of any committee formed under this Act shall be entitled to honorarium from the fund of the Council through such procedure and at such rate as prescribed by rules.
- 16. **Chairman's responsibilities and duties, etc.**—Responsibilities and duties of the Chairman shall be as follows, namely:—
 - (a) running of the administration of the Council.
 - (b) proper operation and management of activities and matters as determined by the Council;
 - (c) preparation of annual budget and programs; and
 - (d) observance of any other responsibilities as assigned by the Council from time to time.
- 17. **Committee, etc.**—(1) Where necessary, the Council may, for assistance in enforcing any of its powers or performing any activity for the fulfillment of the purpose of this Act, form one or more than one committee by incorporating one or more than one member or any of its officers or local or foreign expert person having experience in the subject concerned.
 - (2) In addition to the committees mentioned in sub section (1), the Council may, for the preparation, examination and scrutiny and review of practical aspect of the drafts of financial [reporting]⁹ standards, auditing standards, audit practice code, code of ethics, guideline or similar documents under this Act, form one or more than one technical committee by incorporating such number of

⁹ Somehow omitted.

local and foreign professional and non-professional expert persons who are experienced on application of the International Financial Reporting Standards and the International Standards on Auditing, as it deems necessary.

- (3) The Council may, in the order of the formation of the committees mentioned in sub-sections (1) and (2), fix responsibilities, proceedings, time limit for the submission of report, secretarial assistance, remuneration, facilities, etc. of the committee concerned.
18. **Appointment of officers and employees, etc. of the Council.**—(1) The Council may, with the prior approval of the Government, may appoint the required number of officers and employees for properly performing its activities.
(2) Procedure of appointment and terms of employment of the officers and employees of the Council shall be prescribed by regulations.
19. **Appointment of manpower through deputation.**—(1) Where necessary, the Council may request to the Government for appointment of competent officers and employees through deputation.
(2) The person appointed under sub-section (1) shall remain under similar disciplinary and regulatory measures as like as other employees, but if any question of imposition of penalty thereupon arises, the matter including the related information shall be sent to the appointing authority of such person for taking necessary measure.
20. **Delegation of power.**—The Council may, through order in writing, under the conditions fixed in the order, delegate its all or any of the powers under this Act to chief executive, Executive Director, any officer of the Council or any other person.
21. **Annual report of the Council.**—(1) The Council shall, within not more than 3 (three) months from the end of its financial year, submit an annual report to the Government about the activities performed by it in the preceding financial year.
(2) The report submitted under sub-section (1) shall include, inter alia, following matters, namely:—
(a) accounts and information of annual income and expenditure;
(b) overall review of activities of the Council;
(c) description of those goals of the Council which have been achieved;
(d) short description, along with reasons, of those goals of the Council which have not been achieved;
(e) brief life-sketch of the members of the Council and information in relation to remuneration, honorarium and other facilities received; and
(f) statement of members' attendance in the meeting of the Council.
(3) Annual income and expenditure account of the Council as mentioned in clause (a) of sub-section (2) shall be audited by the Comptroller and Auditor General of Bangladesh.
(4) For the purpose of audit under sub-section (3), the [Comptroller and]¹⁰ Auditor General or any person authorized from him may examine all records, documents and deeds, cash or money deposited in bank, securities, stores and other assets of the Council and, if necessary, may inquire after any member, officer and employee of the Council.
(5) The Minister appointed for the Ministry of Finance shall take measure to present the report submitted under this section to the Parliament as early as possible.

CHAPTER IV

Council's Functional Divisions, Responsibilities, Code etc.

22. **Functional divisions of the Council.**—(1) For the fulfillment of the purpose of this Act, functional divisions of the Council shall be formed by incorporating following divisions, namely:—
(a) Standards Setting Division;
(b) Financial Reporting Monitoring Division;
(c) Audit Practice Review Division; and
(d) Enforcement Division.
(2) There shall be one Executive Director in each of the said divisions mentioned in sub-section (1) and he shall be the head of said division.
23. **Responsibilities of the Standards Setting Division.**—(1) The responsibilities of the Standard Setting Division shall be the preparation of appropriate proposals in relation to the preparation, renewal,

¹⁰ Somehow omitted.

development and adoption of financial reporting, valuation, [and]¹¹ actuarial standards and auditing standards through following the provisions of this Act and the presentation thereof for approval of the Council.

- (2) For the fulfillment of the purpose of this Act, the Council may, without extenuating the totality of sub-section (1), with the prior approval of the Government, determine the scope and procedure of performing the responsibilities of the Standards Setting Division through making regulations by notification in the official Gazette.

24. **Responsibilities of the Financial Reporting Monitoring Division.**—(1) The responsibilities of the Financial Reporting Monitoring Division shall be to monitor, analyze and identify whether any financial reporting and auditing standard, code or guideline made under this Act or any other Act is being properly followed or not by any public interest entity.

- (2) For the fulfillment of the purpose of this Act, the Council may, with the prior approval of the Government, determine the scope and procedure of performing the responsibilities of the Financial Reporting Monitoring Division through making regulations by notification in the official Gazette.
- (3) In case of executing actions under this Act, the said division shall intimate in writing the public interest entity or any other organization concerned that if there is any objection on any proceeding taken by the said division, such entity or organization may raise the matter directly to the Financial Reporting Monitoring Division.
- (4) While executing actions under this Act, if it appears to the Financial Reporting Monitoring Division that any financial reporting and auditing standard, code or guideline is not being followed by any public interest entity, then considering the matter the said division shall intimate its opinion and recommendations to the Enforcement Division for taking measures thereabout.
- (5) Subject to this Act and regulations made thereunder, the Financial Reporting Monitoring Division shall perform its monitoring activities following the procedure determined by it.

25. **Responsibilities of the Audit Practice Review Division.**—(1) The responsibilities of the Audit Practice Review Division shall be as follows, namely:—

- (a) observing the activities of the professional accountancy institutes in relation to audit practice;
- (b) for the fulfillment of the purpose of this Act, reviewing, on a random basis, the audit practice of the enlisted auditor, audit firm or any such organization which assists auditor and audit firm;
- (c) determining whether there is any contravention of the observance of audit practice code or auditing standards made under this Act or any condition or provision of such code or standards by any enlisted auditor, audit firm or any such organization which assists auditor and audit firm; and
- (d) at least once in an interval of every 3 (three) years, regarding the organization concerned—
 - (i) reviewing its control system;
 - (ii) reviewing whether step necessary for the development of accountancy profession maintaining professional standard has been taken or not; and
 - (iii) reviewing whether the responsibility of maintaining public interest has been performed or not by observing other public interest related objectives as mentioned in its charter of establishment.
- (2) For the fulfillment of the purpose of this Act, the Council may, with the prior approval of the Government, determine the scope and procedure of performing the responsibilities of the Audit Practice Review Division through making regulations by notification in the official Gazette.
- (3) The Audit Practice Review Division shall intimate in writing the person or organization concerned about the review report prepared thereby and if there is any objection on such matter, such person or organization may raise it directly to the said division.
- (4) In case of identification of any failure while executing actions under this Act, the Audit Practice Review Division shall intimate its opinion and recommendation about the matter to the Enforcement Division and such division may take appropriate measures on the basis of opinion and recommendation received.
- (5) Subject to this Act and regulations made thereunder, the Audit Practice Review Division shall perform its review activities following the procedure determined by it.

¹¹ Somehow omitted.

26. **Functions¹² of the Enforcement Division.**—(1) The principal responsibilities of the Enforcement Division shall be to consider the opinion and recommendation sent by other divisions of the Council or any matter directly sent to the Council by any other organization regarding failure or violation in following standards prepared under any other Act and to recommend on taking possible punitive measure under this Act for such violation or failure after conducting investigation on such matter, if necessary and to intimate the parties concerned.
- (2) For the fulfillment of the purpose of this Act, the Council may, with the prior approval of the Government, determine the scope and procedure of performing the responsibilities of the Enforcement Division through making regulations by notification in the official Gazette.
- (3) The Enforcement Division shall not make any recommendation under this Act on taking punitive measure without giving the person or organization concerned an opportunity of reasonable hearing about the complaint on proposed violation or failure.
27. **Preparation of audit practice code, regulation, etc.**—(1) The Council may, by notification in the official Gazette, for the purpose of regulating financial reporting activities of the enlisted auditors and public interest entities, prepare audit practice code,¹³ guideline or regulation.
- (2) Notwithstanding anything followed by any professional accountancy institute, if any audit practice code, guideline or regulation is prepared under sub-section (1), it shall be effective immediately and shall get supremacy.
28. **Code of professional conduct and ethics.**—The Council may, with a view to establishing the standard of professional conduct in performing individual self responsibilities and duties of its members and officers and employees, prepare a code of professional conduct and ethics.
29. **Cooperation of other organizations.**—The Council may, with a view to exchanging information in case of performing its functions under this Act, if deemed fit by it, execute memorandum of understanding or legal document with the Bangladesh Bank, the Bangladesh Securities and Exchange Commission, the Insurance [Development and]¹⁴ Regulatory Authority and any other body corporate or organization concerned.
30. **Prohibition on publication of information.**—Without the consent of the Council, any member or a member of any of its committees or any officer and employee of the Council shall not be able to use any information, including the publication of the information, received directly or indirectly in reference to the performance of his activities for personal benefit or the benefit of any other person:
- Provided that nothing shall be constrained for the free flow of information and for ensuring the right to information of the people in accordance with the provision of the Right to Information Act, 2009 (Act No. XX of 2009).
- Explanation:**—For the fulfillment of the purpose of this section, “publication of information” or “use of information” includes the permission of any other person’s access to any record or document under custody or control of the Council or any member of the Council or any member of a committee or any officer or employee of the Council.

CHAPTER V

Enlistment, Renewal etc.

31. **Enlistment of auditors.**—(1) Notwithstanding anything contained in any other laws for the time being in force, after the effectiveness of this Act, no auditor or audit firm shall, without the enlistment to the Council, be eligible to be appointed as the auditor of a public interest entity or shall provide any service in relation to audit.
- (2) If an enlisted auditor or any partner of an audit firm resigns from or joins such firm, the Council shall be intimated in writing within 15 (fifteen) days of such resignation or joining.
32. **Application for enlistment, etc.**—(1) For the purpose of enlistment under this Act, an auditor shall apply to the Council in accordance with the condition and procedure as prescribed by rules.
- (2) The Council shall issue a certificate of enlistment in favor of the auditor enlisted under this Act which shall contain the conditions for such enlistment mentioned in this Act or rules, regulations, guidelines, standards or directives made thereunder.

¹² Words “Responsibilities” might be used to align the similar provisions under sections 23, 24 and 25.

¹³ Somehow written as “audit practice, code” in Bangla in sub-section (1), but as “audit practice code” in Bangla in sub-section (2).

¹⁴ Somehow omitted.

- (3) The scrutiny and verification of the application for enlistment under this section, fee, papers to be submitted, decision for enlistment or non-enlistment, maintenance of printed and electronic copies of the certificate of enlistment, recording of necessary information in general or e-register, time limit, intimation to the applicant, change of the name of auditor or audit firm or any information recorded in the register or matters in relation thereto shall be prescribed by rules.
33. **Postponement, cancellation of the enlistment certificate.**—(1) If any enlisted auditor is punished under section 48, the Council shall, if necessary, discuss on the matter in the meeting and may take following one or more than one measure, namely:—
- (a) issuance of a warning notice in favor of the enlisted auditor; or
 - (b) issuance of a directive including a directive on submission of reports on a regular basis by imposing one or more than one condition; or
 - (c) postponement of the operation of its activities as the enlisted auditor for a fixed term not exceeding a term of 2 (two) years; or
 - (d) cancellation of the enlistment by giving an order in writing after giving the enlisted auditor the reasonable opportunity of showing reasons; or
 - (e) sending to the professional accountancy institute for taking punitive measure against the enlisted auditor pursuant to the laws concerned and intimating the Council about the measure taken within the stipulated time; or
 - (f) sending to the professional accountancy institute for taking measure for the cancellation of registration against the enlisted auditor pursuant to the laws concerned and intimating the Council about the measure taken within the stipulated time.
- (2) At any level during the operation of activities under this Act, if it appears to the Chairman or any Executive Director or any other officer of the Council that any audit has committed any offence under sub-section (1), then the matter shall be placed in writing to the immediately succeeding meeting of the Council.
- (3) The Council may, if it deems necessary in case of taking measure under this section, by the procedure determined thereby, undertake further investigation, hearing in writing or in person, etc.
- (4) The matters on the postponement or cancellation of the certificate of enlistment under this section shall be published in updated form on a regular basis in the website of the Council.
34. **Unauthorized audit practice.**—(1) Any public interest entity shall not engage in audit function such a person whose enlistment has been postponed by the Council or [whose enlistment has been cancelled by the Council]¹⁵ or as per recommendation of the Council the matter on taking necessary measure against whom is under disposal by the professional accountancy institute.
- (2) No enlisted auditor firm shall be able to practice audit under the title of any audit firm without intimating the Council about the matters stated below, namely:—
- (a) in case of partnership business, signature of the person conveying the name and identity of the partners of the firm;
 - (b) in case of using the letter head of the audit firm, a copy thereof; and
 - (c) if the name of the audit firm is similar to any local or international network or the firm is included in any local or international network or it appears from the letter head or any other document of the firm that such firm is a part of any local or international network, then detailed description of the relationship with the local or international network including documentary evidence.
- (3) No enlisted auditor shall put signature on any account, statement, report or any other document performed by another audit firm, unless he is satisfied therewith and takes full liability and responsibility for the work performed.
35. **Auditor's report and opinion.**—(1) In case of preparing the audit report in relation to financial statements of any public interest entity, the auditor shall give an affidavit in a form prescribed by regulations in such context that such report has been prepared after observance of applicable auditing standards and this Act and concerned provisions of any other laws.
- (2) No enlisted audit firm shall express any opinion in his report without following auditing standards made by the Council under section 40.

¹⁵ There is some confusion in language. This is the translation of “*jahar talikabhukti Council kartrik batil kara haiyachhe*”, but words are: “*talikabhukti nirikshak Council kartrik batil kara*”.

- (3) Where in the annual report of any entity, the directors or authorized persons of the concerned entity express their opinion in such context that in such report the corporate governance code or any other regulatory enforceable measure have been observed in preparation, in that case the auditor in his report shall mention whether the preparation has been done keeping consistency with the condition of such code or regulatory measure.
36. **Severe irregularities.**—(1) During undertaking audit in a public interest entity, if the enlisted auditor is satisfied in such context that or he has reasonable cause to believe that a severe irregularity has been occurred in such entity, then he shall immediately:—
- intimate in writing the detailed description in relation to such irregularity to the officers of the public interest entity including the members of the Board of Directors; and
 - request each person mentioned in clause (a), individually or jointly, of the concerned public interest entity for taking appropriate measure on matter of such irregularity.¹⁶
- (2) In case of not taking any measure by the concerned public interest entity on matter of such irregularity within 30 (thirty) days of intimation in writing under sub-section (1), the enlisted auditor shall intimate, the matter with other information in such form as deemed fit, the Council, professional accountancy institutes, concerned regulatory body and any other statutory body pursuant to the Act or rules related therewith as per requirement.
37. **Auditor's independence in case of observance of responsibilities.**—(1) An enlisted auditor shall carry out his responsibility fully independently and he shall not do any act subversive of the audit practice code made by the Council or shall not engage in any activity which extenuates his independence as an enlisted auditor.
- (2) The Council may, by regulations, audit the cooperation and specific procedure on providing information necessary in practicing audit by the enlisted auditor.
38. **Conflict of interest.**—An enlisted auditor, during the engagement as the statutory auditor of a public interest entity, shall not perform such other activity which may create a conflict of interest.
39. **Public interest-related observation in cooperation with professional accountancy institutes.**—(1) The Council and the professional accountancy institutes, individually and where applicable, jointly, shall ensure the public interest-related oversight through taking effective measures with a view to expanding and developing the accountancy profession including the maintenance of the highest standard of professional and business conduct mentioned in the certificate of the professional accountancy institutes.
- (2) The Council and the professional accountancy institutes shall meet at least 2 (two) times in a year in a review meeting in relation to financial reporting, development of audit practice and overall working plan including matters on making strategy and policy for reviewing under this Act.

CHAPTER VI

Standards Setting and Monitoring, Publication etc.

40. **Standards setting, etc.**—(1) The Council, with a view to rendering professional accounting services for public interest entities, shall set and issue—
- financial reporting standards keeping consistency with the International Accounting Standards issued by the International Accounting Standard Board; and
 - auditing standards keeping consistency with the International Standards on Auditing and Assurance and Ethical Pronouncements issued by the International Auditing and Assurance Standards Board.
- (2) The Council shall issue guideline necessary for successful implementation of auditing standards.
- (3) Every enlisted auditor shall, in case of performing his professional responsibility, follow the rules, regulations, code or guideline issued under this Act including observance of minimum conditions mentioned in the auditing standards by the Council.
- (4) Notwithstanding anything contained in sub-section (1), the Council may set separate simplified financial reporting structure and standards for small and medium enterprises keeping consistency with the international best practice.
- (5) The Council shall regularly update the auditing standards and the financial reporting standards made under this section and publish and publicize the same for intimating all concerned.
41. **Exemption from observance of standards.**—The Council may, if necessary, exempt the small enterprises from the separate simplified financial reporting standards.

¹⁶ There is some confusion in language.

42. **Cooperation in setting standards.**—The Council shall, for setting financial reporting standards and auditing standards under this section, take consultation and assistance of the professional accountancy institutes and in case of seeking such consultation and assistance, the said institutes shall be bound to provide necessary consultation and assistance.
43. **Prior-publication of standards.**—(1)¹⁷ The Council shall, when it desires to set or revise any financial reporting and auditing standards, publish a notice relating thereto in the website of the Council calling for objection or comment or opinion from the interested persons within 60 (sixty) days and shall publicize in at least 1 (one) Bangla and 1 (one) English widely circulated daily newspapers for 3 (three) days consecutively.
- (2) If any person expresses his willingness to submit any objection or comment or opinion on the standards to be issued, he may, after the publicizing of the notice mentioned in sub-section (1), submit it to the Council in writing within the time prescribed in the notice.
- (3) The Council shall, in case of finalizing financial reporting and auditing standards for the purpose of setting or revising those under this section, consider the objections or comments or opinions submitted under sub-section (2) in respect to make it conclusive.
44. **Observance of standards by public interest entities.**—From the point of time immediately after the commencement of this Act, where there is any obligation to prepare financial statements by the public interest entity under any other law, the said entity shall ensure that the financial statements are audited under that law and by the auditor enlisted under this Act by the Council and prepared following the financial reporting standards, code, directives, rules or regulations made under this Act.
45. **Monitoring of financial statements and annual reports.**—(1) If any financial statements and annual report are presented to any Government office or authority by a public interest entity, the Council or any officer authorized by it in writing may review whether the said financial statements and annual report are prepared after following this Act.
- (2) For this purpose, the Council or any officer authorized by it in writing may seek information or explanation from the following persons, namely:—
- (a) any officer or director of a public interest entity;
- (b) any officer of a public interest entity in charge of preparing financial statements;
- (c) the auditor or audit firm engaged for auditing financial statements and report of a public interest entity; and
- (d) the auditor performing cost audit.
- (3) When any a public interest entity submits its annual financial statements to any Government office or authority, a copy of such financial statements shall be presented to the Council through a procedure as prescribed by regulations.
- (4) The Council may, along with a fee and information as prescribed by regulations, give order on submitting its financial statements from any public interest entity within the time specified thereby.
46. **Review of audit practice of the auditors of public interest entity.**—The Council or any officer authorized by it in writing may review the audit practice of an enlisted auditor and for this purpose—
- (a) may inspect, examine and collect copy of all the records, instruments, annual balance sheet, cash or money deposited in bank, stores or any other assets etc. in possession or under control of the concerned auditor or his partner, employee or any person assisting him.
- (b) may seek information or explanation or may inquire after any partner, employee or associate person.
47. **Obligation in following financial reporting and auditing standards.**—(1) If it appears to the Council that any public interest entity fails to follow any financial reporting and auditing standards, code or guideline made under this Act, or severe distortion is occurred to the financial statements of the public interest entity, in that case the Council may warn the said public interest entity on this matter or may issue a directive immediately to change or revise its financial statements following such standards.
- (2) In case of giving an order to any public interest entity under sub-section (1), such public interest entity shall, within 30 (thirty) days of the receipt of such directive, revise or change its financial statements and shall present the financial statements prepared in revised or changed form again to the Government office or authority.

¹⁷ Somehow “(1)” not included in Bangla.

CHAPTER VII

Offence, Investigation, Fine and Punishment, Appeal etc.

48. **Offence and punishment, etc.**—When any person obtains registration as an auditor violating any condition mentioned in this Act or rules, regulations, guidelines, standards or directives made thereunder, or through dishonest means or providing false information or infringes any provision of this Act, then it shall be an offence and for the said offence he shall be penalized with an imprisonment of not exceeding 5 (five) years or a fine of not exceeding 5 (five) lakh taka or both.
49. **Investigation of complaints, etc.**—(1) The Council may, through a procedure prescribed by rules, take measure for proper investigation of any of the complaints stated below, namely:—
- (a) complaint raised against any enlisted auditor on any dishonest audit practice, negligence or professional misconduct;
 - (b) violation of the audit practice code by an enlisted auditor;
 - (c) occurrence of severe irregularity submitted pursuant to section 36; and
 - (d) violation of any condition mentioned in this Act or rules, regulations, guideline, standards or directive made thereunder.
- (2) For the fulfillment of the purpose of this Act, any public interest entity, its director, officer or employee or auditor, if directed by the Council or any member or officer of the Council authorized thereby, shall be bound to submit any information, relevant book, record or instrument in his possession or under his control.
- (3) Any matter directed under sub-section (2) shall not be concealed or refusal shall not be shown to give reply to any question in relation thereto.
50. **Administrative fine for violation of orders etc.**—(1) If any enlisted auditor refuses or fails to carry out any order or directive of the Council given under this Act, in that case the Council may impose upon such enlisted auditor through such procedure and at such an amount of money as prescribed by rules as an administrative fine.
- (2) The fine imposed under sub-section (1) shall be recoverable as public demands under the Public Demands Recovery Act, 1913 (Act No. III of 1913).
51. **Application of the Code of Criminal Procedure, 1898.**—Except the administrative fine stated in section 50, in case of investigation and adjudication of any offence mentioned in any other provision of this Act, the Code of Criminal Procedure, 1898 (Act IV of 1898) shall be applicable.
52. **Objection and hearing on recommendation of the Enforcement Division.**—(1) The public interest entity, enlisted auditor, audit firm or professional accountancy institute may furnish objection on any recommendation of the Enforcement Division.
- (2) Furnishing of the objection under sub-section (1), formation of a panel for consideration and hearing of the objection, its working procedure, disposal of the objection and matters in relation thereto shall be prescribed by rules.
53. **Appeal against the decision of the Council.**—(1) Subject to the other provisions of this Act, any party, if aggrieved against any decision given by the Council, within 30 (thirty) days of the intimation about such decision, may make an appeal to the Appellate Authority and other matters in relation thereto may be submitted to the Appellate Authority.
- (2) In case of an appeal made under sub-section (1), the decision of the Appellate Authority shall be final.
54. **Appellate Authority.**—(1) For hearing appeal under this Act, the Government may, by a notification in the official Gazette, form an Appellate Authority and it shall be called as the Accounting and Auditing Appellate Authority.
- (2) The Appellate Authority mentioned in sub-section (1) shall be formed as under, namely:—
- (a) a person having experience of executive functions for at least 20 (twenty) years including Bachelor (Honours) degree in the subject of economics, business administration, accounting, finance and banking, management or commerce or financial management or a retired Secretary, who shall also be its Chairman;
 - (b) a legal expert having practical experience of at least 15 (fifteen) years on legal profession or legal practice including Bachelor (Honours) degree; and
 - (c) a person having practical experience of at least 15 (fifteen) years including Bachelor (Honours) degree in the subject of economics, business administration, accounting, law, finance and banking, management or commerce or financial management or professional accounting degree.¹⁸
- (3) The Appellate Authority shall determine its working procedure.

¹⁸ There is some confusion in language.

- (4) The Appellate Authority may maintain or revise, change or dismiss any order of the Council or may give any interim order staying the effectiveness of the decision.
- (5) The decision shall be taken on the basis of opinion of the majority member of the Appellate Authority.
- (6) In case of any decision given against the appellant pursuant to the provision of this Act, the Appellate Authority may give a decision of bearing all the expenses relating to the appeal by the appellant.
- (7) All the burden of expenses of the Appellate Authority shall be defrayed through the procedure and from the fund of the Council as may be prescribed by rules.

CHAPTER VIII

Financial Matters of the Council

55. **Fund of the Council.**—(1) The Council shall have a fund namely the Financial Reporting Council Fund and the money as stated below shall be deposited to it, namely:—
- (a) grant-in-aid provided by the Government;
 - (b) fee, charge and administrative fine recoverable under this Act;
 - (c) money received for services rendered by the Council; and
 - (d) money received from any other legitimate source.
- (2) The money of the fund shall be deposited in a scheduled bank in the name of the Council through a procedure as determined by the Council and the money of this fund may be withdrawn through a procedure as determined by the Council.¹⁹
- (3) From the money of this fund, the salary and allowance, remuneration, honourarium and other incidental expenses of the Chairman, member, the Appellate Authority, officers and employees of the Council and employees shall be defrayed.
- (4) Every financial year the Council²⁰ shall deposit the surplus money after defraying all of its expenses to the Consolidated Fund of the Republic.
- Explanation.**—For the fulfillment of the purpose of this Act, “scheduled bank” means the ‘Scheduled Bank’ defined in the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972).
56. **Maintenance of accounts and audit.**—(1) The Council shall properly maintain its accounts and prepare financial statement.
- (2) Every year the Comptroller and Auditor General of Bangladesh shall audit the accounts of the Council and submit the necessary number of copies of the audit report to the Government and the authority.
 - (3) In case of arising any objection on the audit report mentioned in sub-section (1), the Council shall take appropriate measure for its disposal.
 - (4) For the purpose of auditing the accounts of the Council,²¹ the Comptroller and Auditor General or any person authorized therefrom, may examine all records, instruments, annual balance sheet, cash or monetary deposit kept with bank, stores or other assets, etc. of the Council and may inquire after the Chairman, any member, or any officer and employee of the Council.²²
57. **Statement of annual budget.**—The Council shall, prior to minimum three months before the commencement of every financial year, submit the statement of annual budget of subsequent financial year to the Government and the amount money to be required in the said financial year from the Government shall mentioned therein.
58. **Preparation of annual working plan and strategy.**—Every year the Council shall prepare an annual working plan and strategy and shall submit it to the Government for intimation.

CHAPTER IX

Appurtenant Amendment of Certain Statutes

59. **Amendment of P.O. No. 2 of 1973.**—Of the Bangladesh Chartered Accountants Order, 1973 (P.O. No. 2 of 1973)—
- (a) New sub-clause (dd) shall be inserted after sub-clause (d) of clause (1) of Article 2, namely:—

“(dd) “Financial Reporting Council (FRC)” means the Financial Reporting Council established under section 3 of the Financial Reporting Act, 2015;”
 - (b) New Article 8A shall be inserted after Article 8, namely:—

¹⁹ There is some confusion in language.

²⁰ “Commission” written erroneously.

²¹ “Authority” written erroneously.

²² “Authority” written erroneously.

- “8A. Institute shall ensure that all members of the Institute shall comply with the Financial Reporting Standards and Auditing Standards issue by the Financial Reporting Council (FRC) pursuant to section 40 of the Financial Reporting Act, 2015.”
- (c) The full stop (.) at the end of the sub-clause (vi) of Article 9 shall be substituted by semicolon (;) and thereafter following new sub-clause (vii) shall be inserted, namely:–
- “(vii) has been removed from the membership of the Institute on being found on inquiry not to have complied with the Financial Reporting Standards and Auditing Standards issued by the Financial Reporting Council (FRC) pursuant to section 40 of the Financial Reporting Act, 2015.” and
- (d) New Article 13A shall be inserted after Article 13, namely:–
- “13A. The functions of the Institute shall be subject to the public interest oversight of the Financial Reporting Council (FRC) in accordance with the Financial Reporting Act, 2015, which shall ensure that the Institute meets its responsibilities to maintain high professional standards and develop the accounting profession.”.
60. **Amendment of Act No. XIV of 1991.**–Following two new sub-sections (1A) and (1B) shall be inserted after sub-section (1) of section 38 of the Banking Companies Act, 1991 (Act No. XIV of 1991),²³ namely:–
- “(1A) Notwithstanding anything contained in sub-section (1), the duty of a banking company established as a public interest entity defined in section 2(8) of the Financial Reporting Act, 2015 shall be to present necessary documents including the auditor’s report prepared in accordance with the financial reporting standards and auditing standards made pursuant to provisions of section 40 of the said Act.
- (1B) The Bangladesh Bank and the Registrar of Joint Stock Companies shall not accept financial statements or similar statements or reports presented by an organization established as a ‘public interest entity’ defined in section 2(8) of the Financial Reporting Act, 2015, unless the same are presented along with the report of the enlisted auditor.”.
61. **Amendment of Act No. XXVII of 1993.**–A new section 23A shall be inserted after section 23 of the Financial Institution Act, 1993 (Act No. XXVII of 1993), namely:–
- “23A. **Power to reject the auditor’s report.**–The responsibility of a financial institution established as a “public interest entity” defined in section 2(8) of the Financial Reporting Act, 2015 shall be to present necessary documents including the enlisted auditor’s report prepared in accordance with the financial reporting standards and auditing standards made pursuant to provisions of section 40 of the said Act.”.
62. **Amendment of Act No. XVIII of 1994.**–Of the Companies Act, 1994 (Act No. XVIII of 1994), namely:–
- (a) Following two new sub-section (2A) and (2B) shall be inserted after sub-section (2) of section 185, namely:–
- “(2A) Notwithstanding anything contained in sub-section (2), the responsibility of a company established as a “public interest entity” defined in section 2(8) of the Financial Reporting Act, 2015 shall be to present necessary documents including the enlisted auditor’s report prepared in accordance with the financial reporting standards and auditing standards made pursuant to provisions of section 40 of the said Act.
- (2B) The Registrar of Joint Stock Companies shall not accept annual report presented by such a company, unless the same is presented along with the report of the enlisted auditor.”;
- (b) Following new sub-section (1A) shall be inserted after sub-section (1) of section 190, namely:–
- “(1A) The financial statements of a company established as a public interest entity defined in section 2(8) of the Financial Reporting Act, 2015 shall not be furnished, unless in case of preparing the said financial statements, the standards made by the Financial Reporting Council pursuant to section 40 of the same Act are followed.”;
- (c) Following new sub-section (5) shall be inserted after sub-section (4) of section 212, namely:–
- “(5) Any person shall not be eligible to be an auditor of any company established as a public interest entity defined in section 2(8) of the Financial Reporting Act, 2015, unless he is an

²³ The definition of “bank” under clause (b) of section 2 the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) has been replaced by section 3 of the Securities and Exchange (Amendment) Act, 2012, published in the official Gazette on December 10, 2012 as (in English): “bank” means a banking company as defined in *the Banking Companies Act, 1991 (Act No. XIV of 1991)*.

enlisted as an auditor by the Financial Reporting Council under section 31 of the Financial Reporting Act, 2015.”. and

(d) Following new sub-section (4) shall be inserted after sub-section (3) of section 220, namely:–

“(5) Any person shall not be eligible to be an auditor of any company established as a public interest entity defined in section 2(8) of the Financial Reporting Act, 2015, unless he is an enlisted as an auditor by the Financial Reporting Council under section 31 of the Financial Reporting Act, 2015.”.

63. **Amendment of Act No. XIII of 2010.**–Following two new sub-sections (4) and (5) shall be inserted after sub-section (3) of section 32 of the Insurance Act, 2010 (Act No. XIII of 2010), namely:–

“(4) Notwithstanding anything contained in this Act, the responsibility of an insurer established as a “public interest entity” defined in section 2(8) of the Financial Reporting Act, 2015 shall be to present to the authority necessary documents including the auditor’s report prepared in accordance with the financial reporting standards and auditing standards made pursuant to provisions of section 40 of the said Act.”

(5) The said authority shall not accept any annual report, unless the same is presented along with the report of an enlisted auditor.”;

64. **Inserting new section 14A²⁴ in Ord. No. LIII of 1977.**–Following [three new sections 14A, 14B and 14C]²⁵ shall be inserted after section 14 of the Cost and Management Accountants Ordinance, 1977 (Ord. No. LIII of 1977), namely:–

“14A. The function of the Institute shall be subject to the public-interest oversight of the Financial Reporting Council in accordance with section 40 of the Financial Reporting Act, 2015 which shall ensure that the Institute meets its responsibilities to maintain high professional standards and develop the accounting profession.²⁶

14B. The Institute shall ensure that all members of the Institute shall comply with the Financial Reporting Standards and Auditing Standards issued by the Financial Reporting Council (FRC) pursuant to section 40 of the Financial Reporting Act, 2015.

14C. A person shall not be entitled to have his name entered in or borne on the Register if he has been removed from the membership of the Institute on being found on inquiry not to have complied with the Financial Reporting Standards and Auditing Standards issued by the Financial Reporting Council (FRC) pursuant to section 40 of the Financial Reporting Act, 2015.”.

65. **Amendment of Act No. XXXII of 2006.**–Following new sub-section (4) and (5) shall be inserted after sub-section (3) of section 22 of the Microcredit Regulatory Authority Act, 2006 (Act No. XXXII of 2006), namely:–

“(4) Notwithstanding anything contained in this Act, the responsibility of a microcredit enterprise established as a “public interest entity” defined in section 2(8) of the Financial Reporting Act, 2015 shall be to present to the authority necessary documents including the auditor’s report prepared in accordance with the financial reporting standards and auditing standards made pursuant to provisions of section 40 of the said Act.

(5) The said authority shall not accept any annual report, unless it is presented along with the report of an enlisted auditor.” .

CHAPTER X

Miscellaneous

66. **Not to extenuate any measures under any other laws.**–(1) The proceeding or measure taken under this Act, rules or regulations shall be in excess of measures taken under any other laws and shall not extenuate the measures taken under other laws.

(2) In case of the Comptroller and Auditor General (Additional Functions) Act, 1974 (Act. No. XXIV of 1974), the provisions of this Act shall not be effected.

67. **Publication.**–(1) The Council may, from time to time, on the matters included in its scope of work, publish circular, notice, advertisement, quarterly, half-yearly or yearly periodicals, etc. for the functional use of the professional accountancy institutes, enlisted auditors, public interest entities and others concerned.

²⁴ Words “new section 14A” should be “new sections 14A, 14B and 14C”.

²⁵ Words “new section 14A” corrected as “three new sections 14A, 14B and 14C”.

²⁶ Punctuation given erroneously.

- (2) The matters published under sub-section (1) shall be immediately published in the website of the Council and in the national dailies in the form of advertisement.
- (3) The Council shall publish this Act or rules, regulations, existing standards, guideline, statutory notifications made thereunder and the legal documents relevant with the purpose of this Act as the Financial Reporting Code regularly and in updated version and shall also publish those in the website of the Council.
68. **Special provision.**—The provisions of Chapter VI of this Act shall not be effective for the organizations mentioned in section 2(8)(b) up to June 30, 2017.
69. **Savings of standards issued by professional accountancy institutes.**—Notwithstanding anything contrary in this Act, the financial reporting and auditing standards, if any, adopted and published by the professional accountancy institutes for the auditors in order to provide professional accounting services, shall, until any similar standards are made under rules or regulations of this Act, stand in such a way as if it were made under this Act.
70. **Power to make rules.**—(1) For the fulfillment of the purpose of this Act, the Government may, by notification in the official Gazette, make rules.
- (2) The Government shall, for the purpose of making rules under sub-section (1), take consultation of the professional accountancy institutes, and shall pre-publish those by advertisement in the official Gazette calling for opinion, advice or objection of all others concerned.
- (3) If any person has his opinion, advice or objection on the matter pre-published under sub-section (2), it is to be submitted to the Government in writing within 30 (thirty) days of pre-publication in the Gazette.
- (4) The Government shall, considering the opinion, advice or objection received, finally publish these within not more than 120 (one hundred twenty) days of the pre-publication in the Gazette.²⁷
71. **Power to make regulations.**—(1) For the fulfillment of the purpose of this Act, the Council may, with the prior approval of the Government, make regulations by notification in the official Gazette.
- (2) The Council shall, for the purpose of making regulations under sub-section (1), take consultation of the professional accountancy institutes, and shall pre-publish those by advertisement in the official Gazette calling for opinion, advice or objection of all others concerned.
- (3) If any person has his opinion, advice or objection on the matter pre-published under sub-section (2), it is to be submitted to the Council in writing within 30 (thirty) days of pre-publication in the Gazette.
- (4) The Council shall, considering the opinion, advice or objection received under sub-sections (2) and (3), finally publish these within not more than 90 (ninety) days of the pre-publication in the Gazette.²⁸
72. **Government power to remove complication.**—The Government may, in relation to the power and responsibility of the Council if any difficulty arises to make it effective due to ambiguity in the provisions of this Act, give direction, after keeping consistency with other provisions, on what is practicable by the Council by notification in the official Gazette clarifying or explaining the said provision.
73. **Publication of a text translated into English.**—(1) After the commencement of this Act, the Government shall, by notification in the official Gazette, publish a Text of this Act translated into English, which shall be the Authentic English Text of the Act.
- (2) In the event of conflict between the Text translated into English published under sub-section (1) and this Bangla Act, the Bangla Text shall prevail.

Pranab Chakraborty
Additional Secretary (IPA)

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²⁷ There is some confusion in language: “the pre-publication in the Gazette” or “the Gazette pre-publication”.

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