



BANGLADESH SECURITIES AND EXCHANGE COMMISSION

JIBON BIMA TOWER (14, 15, 16 & 20 FLOOR), 10 DILKUSHA C/A, DHAKA-1000, BANGLADESH

NOTIFICATION

April 10, 2014

No. SEC/CMRRCD/2001-80/158/Admin/----- In exercise of power conferred by section 33 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), the Bangladesh Securities and Exchange Commission makes, after prior circulation, the following further amendments to the Securities and Exchange Rules, 1987, namely:-

1. Clause (g) in rule 2 shall be deleted.
2. In existing sub-rule (2) and (3) of rule 12, the word 'Schedule' shall be replaced by 'Schedule-1'.
3. In the 1st proviso of sub-rule (3) of rule 12, the words "in accordance with Schedule-2" shall be added after the word "audited".
4. In the 2nd proviso of sub-rule (3) of rule 12, the words "issuer concerned" shall be replaced by the word "Commission".
5. In the 2nd proviso of sub-rule (3A) of rule 12, the words "accounts of the issuer at the issuer's cost" shall be replaced by the words "financial statements of the issuer in accordance with Schedule-2 at the Commission's cost".
6. After sub-rule (3B) in rule 12, the following new sub-rule (3C) shall be inserted, namely:-

"(3C) The Commission may take appropriate measures for conducting the special audit for banks, non-bank financial institutions and insurance companies in consultation with their respective primary regulators, as the case may be, if felt necessary."



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7. After sub-rule (3C) in rule 12, the following new '**Explanation**' under rule 12 shall be inserted, namely:-

"Explanation: Furthermore the special audit as mentioned in sub-rule (3C), the audit mentioned in the 1st and 2nd proviso of sub-rule (3) and in the 2nd proviso of sub-rule (3A) shall be considered as "special audit".

8. The existing '**SCHEDULE**' shall be renamed by '**SCHEDULE-1**';

9. The aforesaid SCHEDULE-1 shall be amended in the following manner, namely:-

(a) the reference portion '**[See rule 12(2)]**' below the title '**SCHEDULE-1**' shall be replaced by '**[See rule 12(2) and rule 12(3)]**';

(b) '**PART-I**' shall be inserted below the '**[See rule 12(2) and rule 12(3)]**';

(c) '**REQUIREMENTS AS TO BALANCE SHEET**' shall be inserted below '**PART-I**' as its title;

(d) In serial No. 1, the title "**Requirements as to Balance Sheet**" shall be replaced by "**Assets and liabilities**".

10. The word "Schedule" in serial No. (a) in the "**Form of the Auditors' Report**" in Part-III in SCHEDULE-1 shall be replaced by "Schedule-1"

11. After '**SCHEDULE-1**', the following new '**SCHEDULE-2**' shall be inserted, namely:-



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"SCHEDULE-2

[See sub-rule (3) and (3A) of rule 12]

Guidelines for conducting special audit of companies-

In terms of power vested under sub-rule (3) and (3A) of rule 12 of the Securities and Exchange Rules, 1987, the Bangladesh Securities and Exchange Commission may appoint an auditor in the public interest to undertake special audit of the financial statements of a listed company.

To conduct the aforesaid audit of listed companies meaningfully and objectively, the audit firm appointed by the Bangladesh Securities and Exchange Commission shall perform the audit with special emphasis, among others, on the following matters:

1. Whether the company has kept proper books of accounts, register of members, minutes of the meetings of Board of Directors and kept these updated.
2. Whether the company has adhered to the Securities and Exchange Rules, 1987, Bangladesh Financial Reporting Standards (BFRS) and, or Bangladesh Accounting Standards (BAS), to state deviation thereof, if any, with particular reference to:
 - (a) Accuracy of turnover and major components of costs of sales;
 - (b) Accuracy of reporting of business or segment or unit wise revenue, if any;
 - (c) Position of current assets with particular emphasis on the realization, collection and adjustment status of debtors, advance, loan and, or investment to sister and other concerns, if any, deposits and prepayments. As regard debtors and receivables, the auditor should obtain direct confirmations for such balances which constitutes for more than 5% of the total outstanding, if not realized subsequently. The auditor should also obtain direct confirmation for all the bank balances including loan balances. The objective(s) of giving



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advance, loan and, or investment to sister and other concerns, if any, should also be verified;

(d) Reconciliation of production and sales revenue and its relation to VAT payment, if applicable, as well as Income Tax payment. The auditor should check whether adequate provision for income tax has been made along with accuracy of deferred tax calculation, if applicable. As regard revenue, the auditor should verify the details of revenue with the control ledger and subsidiary ledger and confirm with invoices for its accuracy and completeness. The auditor should confirm that all the sales and its corresponding collection have been recorded and properly deposited to bank and there is no fake sale. As regard other income, the auditor should verify the details of other income and confirm the accuracy and calculation thereof with the available documents or sources;

(e) Valuation and physical existence of items of inventories. The closing inventories should be verified through physical verification and, where applicable, the balance should be confirmed by doing back calculation using the relevant book or records on inventory usage. Regarding the inventories, among others, the auditor also should give comment(s) on the following matters-

- whether the company has established proper system of maintaining the inventories;
- whether adequate provision has been made for obsolete and damaged items of inventories and whether these are written off accordingly;
- whether the company has properly arrived at the cost of the inventories and valuation has been done as per BFRS and, or BAS.



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(f) Authenticity of purchases and cost of goods sold, the auditor should-

- Confirm that proper policies have been followed during procurement;
- Verify the ledgers and invoices to confirm the accuracy and completeness;
- Check the cost of purchases with documents;
- Confirm that the purchases have been made as per the requirement of the company;
- Confirm that all the expenditure relating to cost of goods sold has been properly accounted for;
- Check the accuracy and completeness of all the said expenses;
- Confirm the unit cost from the calculation;
- Check the consumption of raw materials with the information of stores department.

(g) Genuineness of expenses of the company for the relevant year(s). In this regard, the auditor should-

- Verify all the expenses with the source documents and check their relevancy;
- Confirm the calculation and formation;
- Confirm that all the expenses of the relevant period have been charged to the financial statements.

(h) Directors', sponsors' remuneration or emoluments and related party transactions [associate and subsidiary company as defined in the Securities and Exchange Commission (Public Issue) Rules, 2006, BFRS and, or BAS] with special emphasis on compliance with the Commission's Order No. SEC/CMRRCD/2006-159/Admin/02-10 dated September 10, 2006 and Notification No. SEC/CMRRCD/2008-183/Admin/03-30 dated June 01, 2009 (or, subsequent amendments in this regard). The auditor should confirm that the company has complied BFRS and, or BAS in making or reporting transactions with related parties;



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(i) Cost of acquisitions or constructions, valuation, including revaluation & physical existence and the title of the fixed assets, maintenance of fixed asset register, capital stock including plantation, if applicable. In this regard the auditor, among others, should do the following-

- Confirm the cost or valuation of fixed assets (including revaluation of fixed assets) shown in the relevant financial statements with the original sources including vouchers, invoices, L/Cs, books of accounts, fixed assets register and valuation report (where applicable);
- Physically verify the existence of all fixed assets;
- Confirm that the company has a good procurement policy and it has been properly followed for the procurement made during the relevant year(s);
- Confirm that the company has the ownership on all its assets;
- Confirm whether the assets are mortgage to any organization as security and proper approval in this regard has been taken from appropriate authorities or shareholders, as applicable;
- Confirm that the assets have been purchased for the purpose of the business of the company and the company has been benefited from the assets;
- Confirm that the assets have been accounted for and presented as per requirement of BFRS and, or BAS;
- Evaluate the disposal of assets that the company made during the year and confirm it has been done following proper practice;
- Verify the capital work in progress with all the source documents and confirm the cost incurred so far



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3. Authenticity of the liabilities of the company including direct confirmation for major amounts (5% and above of total liabilities). As regard loans or overdraft and creditors, the auditor should do the following:-
 - (a) Verify the loans taken from the banks as reflected in the company ledger along with the documents directly collected from the banks;
 - (b) Obtain confirmation from the lenders for the loans;
 - (c) Obtain the information from the lender about the security given by the company;
 - (d) Confirm the valuation and presentation of loans as per BFRS and, or BAS;
 - (e) Confirm that the interest on loans has been properly accounted for;
 - (f) Verify the creditors' balances with the books of accounts and other relevant source documents;
 - (g) Verify the movement made in the creditors' balances with the transactions made during the relevant year(s);
 - (h) Obtain direct confirmation from the creditors, if the size of individual creditor is 5% or more of the total creditors;
 - (i) Verify the subsequent payment made by the company during the relevant year(s).
4. As regard particulars of investments, the auditor should-
 - (a) Verify the investment amount(s) made by the company with the books of account and supporting documents (Share certificate, FDR scripts, Sanchoy patra etc.);
 - (b) Obtain the confirmation from the relevant organization for the amount shown as investment;
 - (c) Confirm that the company has the ownership on all the investment;
 - (d) Verify the income generated from the investment;
 - (e) Confirm the accounting and presentation of investment and income thereof as per BFRS and, or BAS.



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5. Whether profit or loss properly attributes to the period as shown in the financial statements.
6. Item-wise reconciliation of cash & cash equivalent as shown in the cash flows statements.
7. Whether the financial statements are consistent with those of previous periods and whether the same have been prepared and presented as per BFRS and, or BAS. Whether the amounts shown in the relevant financial statements and notes to the accounts are accurate.
8. Acquisition and disposal of shares by the sponsors, if any.
9. Composition and effectiveness of internal check and internal control.
10. Extra Ordinary items of cost, if any with reasons thereof.
11. Any special remuneration or fees to any director.
12. Details of technical fee or royalty, if any.
13. Details of marketing, promotional or business development expenses.
14. Details of foreign visits with reasons thereof on company account.
15. Details of foreign remittance (inward or outward), if any with its purpose(s) and whether proper legal procedures and accounting treatment have been followed.
16. Application of income tax and VAT laws in all the applicable areas including tax or VAT deducted at sources.



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17. As regard compliance with Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 (or, any further amendments in this regard), the auditor should report-
- (a) Whether independent director(s) have been duly appointed by the company;
 - (b) Whether the audit committee has been constituted in compliance with the Condition No. 3.1;
 - (c) Whether the Chairman of the audit committee has been appointed in compliance with the Condition No. 3.2 (i);
 - (d) Whether the audit committee made reports to the Board of Directors (BoD) and to the shareholders in compliance with the Condition No. 3.4.1 and 3.5 respectively;
 - (e) Whether the financial irregularities or weaknesses that the auditors appointed by the Commission have found out, if any, were earlier identified and duly reported by the audit committee to the BoD;
 - (f) Whether the company complied with the Condition No. 4.00 as regard obtaining service of the statutory/external auditors.
18. The auditor appointed by the Commission shall also assess the quality of the audit report issued by the statutory or external auditors of the company for the relevant year(s) and shall make comment on the deficiencies, if any, of the statutory auditors' report in light of Bangladesh Standards on Auditing (BSA).
19. In making comments on the deviations from BFRS and, or BAS, if any, the auditor appointed by the Commission shall specifically point out the violation of particular Para of BFRS and, or BAS, as the case may be.
20. The said auditor shall make an inception report stating that it has started audit including expected staff hours and estimated cost within 15(fifteen) days from the date of receipt of the appointment letter and submit the audit report to the



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Commission within 02 (two) months thereafter. However, the Commission, considering a written application made by the auditor appointed by it within the said 02 (two) months time, in appropriate case may extend the time for submission of the report.

21. In addition to the points 1 to 20 above, the Commission during the duration of the audit may also request the auditor to conduct the said audit by giving emphasis on other matters or areas of the listed company.
22. The auditor appointed by the Commission shall-
 - (a) maintain a timesheet of working hours as an evidence of staff hours spent for carrying out the audit;
 - (b) maintain records or documents in support of their findings for future reference or use of the Commission; and
 - (c) immediately inform the Commission in case the concerned listed company does not cooperate with the auditor in conducting the said audit.”.

By order of the Bangladesh Securities and Exchange Commission

Prof. Dr. M. Khairul Hossain
Chairman.