

Jurisdiction, Implementation of IFRS and Challenges in Bangladesh

Dr. Md Sajjad Hossain Bhuiyan
Chairman
Financial Reporting Council

Establishment of FRC

Origin and Status

- The World Bank in its **Report on the Observance of Standards and Codes (ROSC)** report recommended establishing FRC Bangladesh;
- The Parliament of Bangladesh enacted Financial Reporting Act, 2015 to regulate Financial Reporting and Auditing of Public Interest Entities;
- Financial Reporting Council (FRC) Bangladesh was established in 2016 under Financial Reporting Act, 2015;
- FRC Bangladesh is a statutory body under the Finance Division, Ministry of Finance, Government of People's Republic of Bangladesh;

FRC Council Structure



Dr. Md Sajjad Hossain Bhuiyan
Chairman
Financial Reporting Council Bangladesh



Md. Hasanul Matin
Additional Secretary
Finance Division



Md. Abdur Rahim Khan
Additional Secretary
Ministry of Commerce



Sayeed Mohammad Asaduzzaman
Deputy Comptroller and Auditor General
Office of the Comptroller and Auditor
General of Bangladesh



Dr. Md. Habibur Rahman
Deputy Governor
Bangladesh Bank



AKM Badiul Alam
Member (Tax Policy)
National Board of Revenue



Md. Saifuddin, CFA
Commissioner
Bangladesh Securities and
Exchange Commission



N. K. A Mobin FCA
President
The Institute of Chartered Accountants
of Bangladesh



Mahtab Uddin Ahmed FCMA
President
The Institute of Cost and Management
Accountants of Bangladesh



Professor Dr. Md. Saiful Alam
Professor in Accounting
University of Dhaka



Md. Rafiqul Islam
Executive Director,
&
Member Secretary, FRC



President
Federation of Bangladesh Chambers of
Commerce and Industry
Currently vacant

FRC's Office and its Divisions

- The Chairman of FRC Council is the chief executive of FRC's Office.
- FRC Bangladesh has the following official setup:
 - Four Function Specific Divisions
 - Standard Setting Division.
 - Financial Reporting Monitoring Division.
 - Audit Practice Review Division.
 - Enforcement Division.
 - One Division (Admin, Accounts & IT) that handles :
 - Administration.
 - Budget & Accounts.
 - Information Technology.

Jurisdiction of FRC Bangladesh

- FRC Bangladesh regulates the financial reporting, external auditing, valuation and actuarial activities of Public Interest Entities (PIEs).
- FRC Bangladesh regulates the Public Accountancy Organizations (ICAB and ICMAB) and their members in Bangladesh.
- PIEs are determined as follows:

Public Interest Entities (PIEs)	
By Virtue (Compulsory)	By Determinants (Conditional) **
1. Banks. 2. Listed Companies. 3. Non-Banking Financial Institutions. 4. Microcredit providers. 5. Insurers	1. Companies (Excluding those in “By Virtue” segment) 2. State Owned Enterprises. 3. Statutory Authorities/ Autonomous Bodies. 4. NGO. 5. Other Organizations (scope for any similar business entity)

**** These organizations** are considered public interest entities (PIEs), only and only if they meet the following conditions:

1. Revenue, equal or more than BDT 500 million in previous reporting year.
- Or
2. Any two of the following:
 - a. External liabilities equal or more than BDT 100 million In previous reporting year.
 - b. Assets equal or more than BDT 300 million In previous reporting year.
 - c. Workforce equal or more than 50 individuals in previous reporting year.

[Currently there are 7,500 plus PIEs that are under supervision of FRC Bangladesh]

Standards Adopted by FRC Bangladesh

The summary of standards adopted / developed by FRC Bangladesh is as follows :

1. IFRS Accounting Standards;
2. IFRS for SMEs Accounting Standards;
3. International Standards on Auditing (ISA);
4. International Standards on Assurance Engagements (ISAE);
5. International Standards on Review Engagements (ISRE);
6. International Standards on Quality Control (ISQC);
7. International Standards on Quality Management (ISQM);
8. International Auditing Practice Notes (IAPN);
9. IESBA Code Of Ethics;
10. International Independence Standards (IIS);
11. International Public Sector Accounting Standards (IPSAS);
12. International Valuation Standards (IVS);
13. Financial Reporting Framework for Statutory Public Authorities Developed by FRC Bangladesh.

Ongoing standard setting related works of FRC Bangladesh

- FRC Bangladesh is going to adopt IFRS Sustainability Disclosure Standards for PIEs (IFRS S1 and IFRS S2) soon.
 - Banks and NBFIs are disclosing Sustainability and Climate Change Related Information as per the Central Bank's directions.
- Assessments are being made to develop actuarial standards for Bangladesh.
- AAOIFI Standards for Accounting and Sharia Based Auditing are also in consideration for adoption.
- FRC Bangladesh is working on adopting XBRL Reporting.

Legal Requirements for Public Interest Entities and Their Auditors

- Financial Reporting Act, 2015 mandates the use of standards promulgated by FRC Bangladesh for all public interest entities.
- FRC Bangladesh adopted IFRS (without modifications) in 2020 and ISA (without modifications) in 2021.
- PIEs and their auditors are legally bound to use IFRS, ISA, other standards and guidelines promulgated by FRC Bangladesh.
- FRC Bangladesh also adopted International Valuation Standards (IVS) in 2024.

Monitoring of Financial Reporting Activities

- Financial Reporting Monitoring (FRM) Division monitors the financial reports of Public Interest Entities.
- FRM identifies the following in regard of PIEs :
 - Non-compliance of financial reporting and auditing standards promulgated by FRC Bangladesh;
 - Non-compliance of legal requirements.
- Recommending PIEs on changes in the financial reports.
- Ensures full compliance of IFRS, ISA and Guidelines promulgated by FRC.
- FRM is developing a report submission portal for PIEs to ease the regulatory submission process.

Review of Auditing Activities

- Audit Practice Review (APR) Division reviews the auditing activities of statutory auditors of PIEs.
- APR performs the following in regard of auditors of PIEs :
 - Monitoring the Auditing Related activities of PAOs;
 - Inspecting the auditing firms or organizations that assist the auditors.
- Ensures full compliance of ISA, Auditing Codes, Ethics Codes and Guidelines promulgated by FRC.
- Enlistment of Auditors and Auditing Firms who can audit PIEs (Only enlisted auditors can audit PIEs).

Bridging The Existing Gap in Financial Reporting and Auditing

- FRC Bangladesh is closely working with other regulatory bodies to non-compliance from in reporting and auditing standards.
- FRC Bangladesh annually sits with the PAOs to discuss policy related matters.
- International Standard Setting bodies and Donors are being reached out for development of Financial Reporting and Auditing in Bangladesh.
- FRC Bangladesh hosts summits, seminars and workshops for PIEs and Auditors to create awareness.
- FRC Bangladesh regularly participates in domestic forums of regulators to synergise the business process of FRC and overall regulatory ecosystem.

Challenges

1. Ensuring full compliance of standards issued by FRC Bangladesh.
2. Monitoring of Financial Reporting and identification of irregularities.
3. Reviewing audit engagements and identification of irregularities.
4. Capacity building of human resources in FRC Bangladesh.
5. Capacity building for professionals.
6. Adaptation of latest technologies.

Way Forward

1. Building Awareness.
2. Proactive response towards identification of irregularities regarding Financial Reporting and Auditing.
3. Development of required IT infrastructure to accommodate monitoring and reviewing activities.
4. Arrangement of training for FRC's officials.
5. Arrangement of training workshops, CPDs and awareness programs for professionals.
6. Research and Development related activities for developing relevant technologies.

Thank You

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