



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



BANGLADESH SECURITIES AND EXCHANGE COMMISSION

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

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.



BANGLADESH SECURITIES AND EXCHANGE COMMISSION

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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;

