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Financial Reporting Act (FRA), 2015: A Revolutionary Era for Ensuring Effective Capital Market and Economic Development in Bangladesh

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Keywords: FRA, FRC, financial reporting, transparency and accountability, capital market and economic development.

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Financial Reporting Act (FRA), 2015: A Revolutionary Era for Ensuring Effective Capital Market and Economic Development in Bangladesh

Md. Sahadat Hossen

Abstract- Financial Reporting Act (FRA), 2015 is an excellent initiative for ensuring transparency and accountability in accounting and auditing profession in Bangladesh. Auditing is the key pillar of public confidence in corporate governance and reporting and the part of an integrated financial reporting supply chain that includes financial managers, directors, accountants and regulators domestically and internationally. Like other countries of the world, corporate failures and scandals are a bit linked with the accounting profession associated companies in Bangladesh as a result the need for monitoring the auditing and accounting activities grows louder after the recent crisis in the capital market. This study has conducted a SWOT analysis on FRA, 2015. The study has revealed that The Financial Reporting Council (FRC) under this Act will be an independent regulatory body that will monitor the auditing and reporting activities and ensure transparency and accountability of the professional accountants in Bangladesh as a result the investors are looking forward to see FRC coming into being soon and bring together key financial reporting stakeholders to ensuring effective capital market and economic development in Bangladesh through overseeing the effectiveness of the financial reporting framework.

Keywords: FRA, FRC, financial reporting, transparency and accountability, capital market and economic development.

I. Introduction

In 1998, the then Prime Minister of Bangladesh has announced that the government of Bangladesh will think about the formation of an independent oversight body to ensure transparency and accountability of financial reporting in the inaugural session of the 13th SAFA conference held in Dhaka. With this announcement, The Institute of Cost and Management Accountants of Bangladesh (ICMAB) felt it as a prerogative to support the Government and prepared and submitted a draft act with respective ministry when the western world could not even think about such an issue even before the enactment of Sarbanes-Oxley Act (SOX) in USA in 2002 (Salim, 2015).

The Sarbanes-Oxley (SOX) Act of 2002 is legislation passed by the U.S. Congress to protect shareholders and the general public from accounting errors and fraudulent practices in the enterprise, as well as improve the accuracy of corporate disclosures. The U.S. Securities and Exchange Commission (SEC) administers the act, which sets deadlines for compliance and publishes rules on requirements. The Sarbanes-Oxley Act was enacted in response to a series of high-profile financial scandals that occurred in the early 2000s at companies including Enron, World Com and Tyco that rattled investor's confidence (searchcio.techtarget.com). As a result of SOX, top management must individually certify the accuracy of financial information. In addition, penalties for fraudulent financial activity are much more severe. Also, SOX increased the oversight role of boards of directors and the independence of the outside auditors who review the accuracy of corporate financial statements (Kimmel, Paul, Weygandt, Jerry, Kieso and Donald, 2011). It created a new, quasi-public agency, the Public Company Accounting Oversight Board, or PCAOB, charged with overseeing, regulating, inspecting, and disciplining accounting firms in their roles as auditors of public companies. The act also covers issues such as auditor independence, corporate governance, internal control assessment, and enhanced financial disclosure. The nonprofit arm of Financial Executives International (FEI), Financial Executives Research Foundation (FERF), completed extensive research studies to help support the foundations of the act. In response to the perception that stricter financial governance laws are needed, SOX-type regulations were subsequently enacted in Canada (2002), Germany (2002), South Africa (2002), France (2003), Australia (2004), India (2005), Japan (2006), Italy (2006), Israel, and Turkey. Debate continued as of 2007 over the perceived benefits and costs of SOX. Opponents of the bill have claimed it has reduced America's international competitive edge against foreign financial service providers because it has introduced an overly complex regulatory environment into US financial markets. Proponents of the measure said that SOX has been a "godsend" for improving the confidence of fund managers and other investors with regard to the veracity of corporate financial statements.

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ICMAB throughout the long process of the development of the Financial Reporting Act (FRA) extended active support to the Government and significantly contributed in the draft of the Act giving important inputs from the year 2006 in line with laws of the other countries. Many of the suggestions and modifications were adopted when the draft of the Financial Reporting Ordinance was prepared and ultimately promulgated on December 30, 2008. This was however not ratified in the Parliament by the newly formed democratic government. Subsequently the present benevolent took the initiative to introduce it as an Act. But for different reasons the act haven't been passed, however, the bud is growing over the year which is a complete tree now. The act finally passed in the Parliament on 6th September 2015 and Bangladesh entered into a new era in the history of disciplined financial reporting. Due to stakeholders' pressure for last couple of years, the Government of Bangladesh is trying to enact such an act, though it failed in multiple instances due to the prescription of a vested quarter (Salim, 2015).

II. Literature Review

Introduction of Financial Reporting Act in 2015 is an In-Time-Initiative of the Government to maximize the Opportunities of the Capital Market in Up-coming Decades. There is rumor of China, India and beyond theories; if we prepare ourselves we have a strong possibility to be one of the players in the global capital market. Let's work and keep hope alive! (Alam FCMA, 2015).

Ahmad FCMA (2015) has quoted from Honorable President of ICMAB "the Government of Bangladesh has taken a welcome step, now as professional accountants it's our turn to learn more, know more and do more to uphold our professional image".

The World Bank Report on the Observance of Standards and Codes (ROSC), published on May 16, 2003, reflects a true picture of accounting and auditing environment in Bangladesh. The World Bank team suggested a recommendation to establish an independent oversight body -- Financial Reporting Council -- in the report. The regulatory efforts undertaken by the Government of Bangladesh during different times is a continuation of this recommendation. However, for ensuring more accountability, the need for a financial reporting law was proposed by the concerned community in the year 2012.

ICMAB has taken pragmatic role to facilitate the Government in the process of such formation at different capacities as required by the government. Because, the ICMAB, one of the two established accounting institutes exist in the country, believes that it has enough scope of contribution for such initiatives where it is also an active stakeholder. The institute has organized workshops, contributes in drafting the Act, represented in different forums as an expert to the Act and its due process. However, from the very beginning of its inception, the ICAB, the only national institute of the country certifying public accountants, has been opposing strongly against the Act for some reasons which are not properly founded. Even some veteran chartered accountants have written some articles criticizing the Act (Shil FCMA, 2015).

Since the beginning of accounting profession in Bangladesh, The Institute of Chartered Accountants of Bangladesh (ICAB) was the one and only governing body for the country's chartered accountants (Hossain FCMA, 2015).

Kibria (2015) has given more importance on formation of FRC and said that in many cases, ICAB has conflict of interest and so it's so called regulatory role does not appear affective enough. For instance, in three years between FY'10 and FY'12, National Board of Revenue has reviewed some 55,000 audited financial statements on average annually. On the other hand, ICAB listed CA firms that on an average audited some 14,000 financial statements annually. Thus a large number of audited financial statements appeared fake or cooked up although many of those statements of ICAB listed CA forms. Besides the tax authority, it is the responsibility of the ICAB to detect such fake auditing and take action against those involved in such misdeeds. But, very little has been done so far.

Ahmed (2015) says that the proposed Financial Regulatory Council (FRC) will replace any other regulator if there is any for the purpose. But the constitution of the FRC needs to be carried out carefully so that this body truly becomes independent, capable and willing to regulate the rogue auditors. Nowhere in the world, the auditors enjoyed so much of freedom as they enjoy here in Bangladesh. Too much of freedom led them to remain above questioning. They signed many window-dressed financial reports which not only deceived stakeholders like crediting banks and stock investors but also deceived the tax authorities.

Actually, auditors in Bangladesh enjoyed too much of freedom in the absence of an independent watchdog. From now on, the FRC under the Act will ensure accountability and performance of the professional accountants of Bangladesh. Moreover, the council will be a statutory body with members from various government bodies, institutions and professional groups. Now, the investors hope the FRC will ensure that the financial reporting presented before the investors will be trustworthy. Another good thing of the FRA is that for the first time, through this Act, it has recognized the needs for cost and management audit of the public entities. The quality of the financial reports the auditors are supposed to produce depends on how good the regulation is done by the FRC (Ahmed, 2015).

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The FRA ensures authenticity of the published accounts of public and private companies. The Act will regulate the auditors and their activities more effectively. Once the auditors are working properly, we expect the accounts to be more trustworthy. Hence the whole country will be benefitted through much more transparency in what the companies share with the general stakeholders. It is important that the rules have no ambiguity and clearly explains how things will work. In case of ambiguity, various parties will take advantage and the FRA will lose acceptability in the bigger society. It is important that the formulation of rules take into account inputs from all concerned bodies and is respectful to a transition stage to enable companies to be more compliant (Nawaz FCMA, 2015).

Chowdhury (2015) states that the main objective of formation of the FRA is to make suitable structure in favor of the people's interest and make it accountable and transparent and maintaining professional standard.

The FRC will oversee the effectiveness of the financial reporting framework in Bangladesh. It will regularly be consider issue related to financial reporting including audit quality and setting of standards, with a view to developing strategic advice to the authorities and stakeholders on these issues. So, the stakeholders' expectations are that the FRC would be the key external advisor to the Bangladesh Government on the financial reporting system (Hossain FCMA, 2015).

Globally it is believed and proved that a high level independent oversight body will work as an effective intervention to reduce the expectations gap that exists between the expectations of the society from auditors and auditors' actual performance. The effective implementation of FRA can be a strong intervention to narrow the expectations gap. The council should be formed in a balanced way which can reduce the monopolistic behavior of public accountants and every interested stakeholder must have a proper representation on the council (Shil FCMA, 2015).

III. Objectives of the Study

a. To analyze the major elements of Financial Reporting Act (FRA), 2015;
b. To reveal the strengths, weaknesses, opportunities and threats of FRA, 2015;
c. To find out the credible roles of FRA, 2015 in audit industry;
d. To find out the tremendous duties and responsibilities of Financial Reporting Council (FRC);
e. To find out the deliberate responsibilities of management of public interest entities;
f. To find out the relevant responsibilities of ICAB and ICMAB under FRA, 2015; and
g. To find out the significant approaches of FRC to ensure effective capital market and economic development in Bangladesh.

IV. Major Elements of fra 2015

Section 2 (18) - Professional Accountant: Professional Accountant means the member of The Institute of Chartered Accountants of Bangladesh (ICAB) and The Institute of Cost and Management Accountants of Bangladesh (ICMAB).

Section 2 (19) - Professional Accountancy Institution: Professional Accountancy institution means The Institute of Chartered Accountants of Bangladesh (ICAB) and The Institute of Cost and Management Accountants of Bangladesh (ICMAB).

Section 3- Establishment of Council: The Act aims at inspiring the auditing and accounting system of the country's financial institutions to international standards, and under the Act, FRC comprising of 12 members will be established, led by a Chairman appointed by the Government. Moreover, the council will be a statutory body with members from various government bodies, institutions and professional groups.

Section 7- The General Objectives of the Council: The objectives of the FRC would be:
(a) To determine the code of ethics, standards of accounting and auditing profession; (b) To improve the quality of accountancy and audit services ; (c) To improve the accounting and auditing profession; (d) To ensure the highest quality of accounting and auditing of listed auditors of the council; (e) To enhance the credibility of financial reporting; (f) To ensure the transparency and accountability of functions of accounting and auditing profession; and (g) To motivate for preparing the high quality reporting of financial and nonfinancial information by public interest entities.

Section 16- The duties and Responsibilities of Chairman of the Council: The duties and responsibilities of Chairman of the council will be the following:
(a) Conducting administration of the council; (b) Conducting and organizing effectively the activities and matters determined by the council; (c) Preparing annual budget and program; and (d) Performing other duties given time to time by the council.

Section 21- Annual Report of the Council: Council shall submit an annual report on its immediate preceding year's functions to the Government within 3 months from the completion its fiscal year. The following matters shall be included in annual report:
(a) Accounts of annual revenues and expenses and related information; (b) Details analysis of the functions of the council; (c) Statement of the achieved goals of the council; (d) Statement of the non-achieved goals with reasons; (e) Statement of brief description of the members of the council and their honorees and other

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facilities; and (f) Statement of the attendance of members of meeting of the council.

Section 22-26- Divisions of the Council and Duties of the Divisions: Under the Act, activities of the FRC will be done through the following four serviceable divisions:

Division	Duties of the Division
a. Standards Setting Division	(i) Preparing effective proposal of setting, renewal and developing of financial reporting, value determination, actuarial standards, auditing standards in accordance with the rules and regulations of this act; and (ii) Presenting this proposal in the council for approval.
b. Financial Reporting Monitoring Division	i. Monitoring, analyzing and identifying whether or not any financial reporting standards, auditing standards, code or guidelines of this act or any other act are complied effectively by the public-interest oversight.
c. Audit Practice Review Division	(i) Monitoring of audit practice related functions of professional accountancy firms; (ii) Reviewing of audit practice of any firm that helps to the randomly selected auditor or audit firm; (iii) Determining whether or not the firm has complied of audit practice code or auditing standards of this act; (iv) Reviewing the control system of the related firm at least once every 3 years; and (v) Reviewing whether or not the related firm has taken necessary steps for developing the accounting profession keeping the professional quality.
d. Enforcement Division	(i) Considering the opinions and recommendations given by the other division of the council or any other subject matter relating failure or non-compliance of standards of any acts given directly by any other organizations to the council; (ii) Recommending to take possible punishable action for that failure or non-compliance; and (iii) Informing it to the related parties.

Section 28- Professional Behavior and Code of Ethics: Council may set Professional behavior and code of ethics for its members and employees with a view to establishing professional behavior for their individual duties and responsibilities.

Section 31- Registration with Financial Reporting Council: After the establishment of the FRC, all auditors and audit firms must register in the FRC. Without registration, no auditor and audit firm will be able to provide auditing service to any entity related with public interest.

Section 32- Application for Registration: For registration, the auditor or audit firm needs to apply to the FRC. The FRC will review the application and will provide the registration to pursue the rules and guidelines.

Section 33- Cancellation and Fine of Registration: If any auditor or any audit firm violates any provisions of the act or any of its rules and guidelines, FRC may cancel or suspend the registration and may fine as well.

Section 40-43- Setting, Monitoring, Publishing of Standards: Its key functions include the oversight of the accounting and auditing standards setting processes for the public and private sectors, providing strategic advice in relation to the quality of auditing and advising the authorities on these and related matters to the extent that they affect the financial reporting framework in Bangladesh.

Section 45- Monitoring of Financial Statements and Annual Report: The FRC will be the sole watchdog to monitor the functions of auditors and ensure clearness and responsibility in accounting and auditing of financial organizations, including various governments, autonomous and non-government institutions. It will also monitor activities of the country's chartered accountants and cost and management accountants. It will responsible for promoting high quality corporate governance and reporting to foster investment.

Section 46- Review of Audit Practice of the Auditors of Public-Interest Oversight: Council, or any officer authorized by it, in writing may review the audit practice of a listed auditor and may investigate, examine and call all records, documents, balance sheet, cash and bank balance, mortgage, other assets etc. and may make query or call for any information or explanation to any partner, employee or agent.

Section 47- Enforcement of Compliance of Financial Reporting and Auditing Standards: Council shall give order to change or correct the financial statements under financial reporting and auditing standards to the public-interest oversight if it fails to comply with the financial reporting and auditing standards, code or guideline.

Section 48- Offence and Punishment: If anyone has got registration as a auditor by breaking any condition of

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FRA 2015 or its section, sub-section, guidelines, standards or by fraudulent way or by providing false information or breaks any rule of this act, then it will be treated as an offence and s/he will be punishable for imprisonment not exceeding 5 years or not exceeding taka 5, 00,000 (five lac) or both.

Section 54- Appeal Authority: Government may form an appeal authority, published by gazette, for hearing appeal under FRA 2015 and it will be called book keeping and audit appeal authority.

V. Findings of SWOT Analysis

A. *Strengths:* Under this study, strengths of FRA, 2015 are divided into two broader heads which hereunder:

a. Establishment of Financial Reporting Council (FRC)

b. Tremendous Duties and Responsibilities of FRC: Act mentions the powers and functions of FRC. The study reveals the duties and responsibilities of FRC that will ensure the strengths of FRA. The council shall-

i. develop and publish accounting, auditing and financial reporting standards and code of conducts to be observed in the preparation of financial statements of public interest entities in Bangladesh;
ii. enter into such contracts as may be necessary or expedient for the purpose of discharging its functions;
iii. provide information service as a central information cell and advisory service regarding accounting and auditing activities;
iv. motivate research work on highly effective financial reporting, accounting, auditing and corporate governance method and provide financing in some cases;
v. conduct investigation and its related programs under this act;
vi. take and implement perfect method or scheme for conducting the objectives and functions of the council;
vii. determine charge and fees regarding services provided by the council;
viii. impose fine and adopt rules and regulations under this act;
ix. co-operate with, or become a member or an affiliate of any similar international body the objects or functions of which are similar to, or connected with those of the Council ;
x. require management assessment of internal controls, including Information Systems controls with independent attestation ;
xi. develop and implement strategies for the issue of standards in order to provide a framework for the council's overall direction in the setting of standards;
xii. license auditors, approve of firms, maintain register and publish relating information;
xiii. monitor and review effectively and efficiently the authenticity and fairness of financial statements and reports of public interest entities;
xiv. monitor the practice of auditors with a view to maintaining high standards of professional conduct;
xv. increase the resources of Bangladesh Securities and Exchange Commission (BSEC);
xvi. monitor the effectiveness of auditor independence requirements in Bangladesh;
xvii. provide the Minister responsible for the FRC with advice and reports about the matters falling within the scope of its responsibilities;
xviii. review, monitor, promote and enforce compliance with the accounting, financial reporting and auditing standards;
xix. receive notices of non-compliance with approved standards from preparers, users, other third parties or auditors of financial statements ;
xx. receive copies of annual reports and financial statements of public interest entities from preparers;
xxi. advise the Government on matters relating to accounting and financial reporting standards ;
xxii. maintain a register of professional accountants and other professionals engaged in the financial reporting process ;
xxiii. monitor compliance with the reporting requirements specified in the adopted code of corporate governance ;
xxiv. promote compliance with the adopted standards issued by the International Federation of Accountants and International Accounting Standards Board (IASB) ;
xxv. monitor and promote education, research and training in the fields of accounting, auditing, financial reporting and corporate governance ;
xxvi. establish such systems, schemes or engage in any relevant activity, either alone or in conjunction with any other organization or agency, whether local or international, for the discharge of its functions ;
xxvii. receive copies of all qualified reports together with detailed explanations for such qualifications from auditors of the financial statements;
xxviii. adopt and keep up-to-date accounting and financial reporting standards, and ensure consistency between standards issued and the International Financial Reporting Standards (IFRS);
xxix. specify, in the accounting and financial reporting standards, the minimum requirements for recognition, measurement, presentation and disclosure in annual financial statements, group annual financial statements or other financial

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reports which every public interest entity shall comply with, in the preparation of financial statements and reports ;

xxx. develop or adopt and keep up-to-date auditing standards issued by relevant professional bodies and ensure consistency between the standards issued and the auditing standards and pronouncements of the International Auditing and Assurance Standards Board ;

xxxi. perform such other functions which in the opinion of the Board are necessary or expedient to ensure the efficient performance of the functions of the Council;

xxxii. issue rules and guidelines for the purpose of implementing auditing and accounting standards;

xxxiii. provide advisory, consultancy and informational services on any matter related to its functions to the authorities and the stakeholders;

xxxiv. provide the accounting and auditing issue bulletins for the professional accountants and stakeholders;

xxxv. advise the finance ministry on any matter relating to financial and nonfinancial reporting, accounting and auditing etc.; and

xxxvi. exercise such powers as are necessary or expedient for giving effect to the provisions of the Act.

B. *Weaknesses:* This study finds out the following weaknesses:

(a) Majority of the members of the council are non- professional accountants; (b) As most of the council members will work as high officials of the Government, they have to remain very busy with official work as a result it will be very difficult for them to discharge additional functions assigned to them under FRC; (c) FRA, 2015 fails to make happy to the ICAB; and (d) FRA, 2015 fails to bring together ICAB and ICMAB.

C. *Opportunities:* FRA, 2015 has a great prospect to ensure effective capital market and economic development in Bangladesh through capturing its opportunities which are divided into five broader heads which are hereunder

a. *Playing Credible Role in Audit Industry:* FRA, 2015 shall play the following effective roles and each one can ensure the opportunity in audit industry:

(i) To bring the financial reporting functions into a sound control system; (ii) To adopt standards of accounting and auditing profession; (iii) To enforce, establish and monitor the standards effectively; (iv) To strengthen the confidence of firms that audit public companies; (v) To increase corporate responsibility and usefulness or corporate financial disclosure; (vi) To increase penalties for corporate wrongdoing; (vii) To protect the objectivity and independence of securities analysts; (viii) To increase the reported profitability of the corporate through better transparency; and (ix) To increase the demand for qualified finance professionals will increase for ensuring proper compliance to accounting standards.

b. Fulfill general objectives of the FRC.

c. Getting works done by Management: Deliberate Responsibilities of Management of Public Interest Entities Regarding FRA 2015 are followings:

(i) To assess both the design and operating effectiveness of selected internal controls related to significant accounts and relevant assertions, in the context of material misstatement risks; (ii) To understand the flow of transactions, including IT aspects, in sufficient detail to identify points at which a misstatement could arise; (iii) To evaluate company-level (entity-level) controls, which correspond to the components of the FRC framework; (iv) To perform a fraud risk assessment; (v) To evaluate controls designed to prevent or detect fraud, including management override of controls; (vi) To evaluate controls over the period-end financial reporting process; (vii) To scale the assessment based on the size and complexity of the company; (viii) To rely on management's work based on factors such as competency, objectivity, and risk; and (ix) To conclude on the adequacy of internal control over financial reporting.

d. Ensuring Transparency and Accountability of Professional Accountants: Relevant responsibilities of ICAB and ICMAB under FRA 2015 are hereunder:

(i) To ensure that the Institute meets its responsibilities to maintain high professional standards and develop the accounting profession; (ii) To ensure that all members of the respective Institute shall comply with the Financial Reporting Standards and Auditing Standards issued by FRC; and (iii) 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 respective Institute on being found on inquiry not to have complied with the Financial Reporting Standards and Auditing Standards issued by FRC.

e. Ensuring Other Significant Approaches in Audit Industry for Effective Capital Market and Economic Development in Bangladesh: Significant approaches of FRC to ensure effective capital market and economic development in Bangladesh are hereunder

(i) protecting investors and other stakeholders interest through increasing transparency, accountability and perfect information flows on companies; (ii) giving guidance on issues relating to financial reporting and accounting standards to public interest entities; (iii) ensuring good corporate governance practices in the public and private sectors of the Bangladeshi economy; (iv) ensuring accuracy and reliability of financial reports and corporate disclosures, pursuant to the various laws and regulations currently in existences; (v) harmonizing

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activities of relevant professional and regulatory bodies as relating to Corporate Governance and Financial Reporting; (vi) increasing confidence of investor and all other stakeholders in corporate financial reporting, that is, reporting on financial and non-financial matters and compliance with standards; (vii) facilitating comparability of financial statements. Financial reports of companies will give regulators, policy makers, shareholders and other stakeholders access to greater disclosure, hence the availability of perfect information flows for taking decisions at the top level as well as investor level; (viii) monitoring the quality of published accounts by the FRC will contribute in establishing Bangladesh as a leading regional financial center with a modern and well-regulated infrastructure; (ix) providing assistance to the regulators - Bangladesh Bank (BB), Bangladesh Securities and Exchange Commission (BSEC), Insurance Development & Regulatory Authority Bangladesh (IDRA), National Board of Revenue (NBR), Registrar of Joint Stock Companies and Firms (RJSC) - on the more technical aspects of financial reporting and complex accounting issues; and (x) encouraging with pooling of expertise from regulators and the private sector to improve the quality of financial reporting within the country.

D. *Threats:* This study reveals some threats regarding FRA, 2015 which are hereunder:

a. External Threats: External Threats are -

(i) Conflict of interest of ICAB; (ii) Conflict between ICAB and CIMAB; (iii) Possibility of external threats for not performing the activities of FRC; (iv) Possibility of politicization in FRC; (v) External forces for dividing members of council in different groups; (vi) Inability of FRC to work independently due to bureaucratic problems; (vii) Partial implementation of FRA, 2015; and (viii) Improper establishment of FRC due to personal or political interest.

b. Prospective Internal Threats: Prospective internal threats are -

(i) Unwillingness of the chairman of the council to reach the objectives of FRA; (ii) Conflict among the members of the council; (iii) Self interest of the members of the council; (iv) Insufficient cooperation among the members of the council; (v) Complexity of bureaucracy in the functions of FRC; (vi) Ambiguity of rules of FRC that can create loopholes for various parties; (vii) Intentional inactive performance of FRC; (viii) Enforcement of low quality standards; and (ix) Inefficient and improper monitoring the compliance with standards.

VI. Conclusion

The Bangladesh parliament passed finally the much awaited Financial Reporting Act (FRA) in September 6, 2015. This was one piece of legislation which took an extraordinarily long time to get it through the lawmaking body - the National Parliament in the face of opposition from the very auditors whose work and functions were supposed to be regulated by this act. In the last few years, more regulatory orders were issued but that did not help the capital market grow in the way investors expected. Still the market is dominated by the poor quality stocks, some of which have frequently been picked up by the day traders as gambling instruments.

With the passage of the FRA, the full circle of reforms in the financial sector, especially issues relating to capital market, is almost complete and now investors will not have much to complain about as to what has been going wrong with the more important aspect of the financial industry such as auditing standards. But passage of the act is one thing, putting it in practice to attain the desired objectives is another thing. Fortunately, this Act has also paved the way for setting up an independent watchdog for the auditing industry which hitherto remained almost free to be overseen. By implementation of FRA the trust of the investors in the capital market will get back because the investors rely on the financial statements to take investment decisions and they believe transparency, accountability and corporate governance will be ensured by this act. It is the high time to the Government to form the FRC as soon as possible to ensure transparency and accountability of professional accountants as well as financial reports and to implement the FRA-2015 for the greater interest of the country.

The economy of Bangladesh is moving forward and its financial sector is also growing despite multifaceted complexity. From small to big, all businesses are in need to transparent and compliant financial accounting reports. In this connection, fully implementation of FRA and establishment of FRC is a must. The largest proportion of stakeholders, and in particular many investors, call for more change including more transparency in financial reporting and a more open and comparative reporting framework process to help improve their confidence in the independence of auditors and the transparency of their audit reports. The country's economy depends on the drive and efficiency of its companies. Thus the effectiveness with which their boards discharge their responsibilities determines competitive position of Bangladesh. They must be free to drive their companies forward, but exercise that freedom within a framework of effective transparency and accountability with a view to showing the true and fair view of financial reporting of the firm for ensuring effective capital market and economic development of Bangladesh.

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