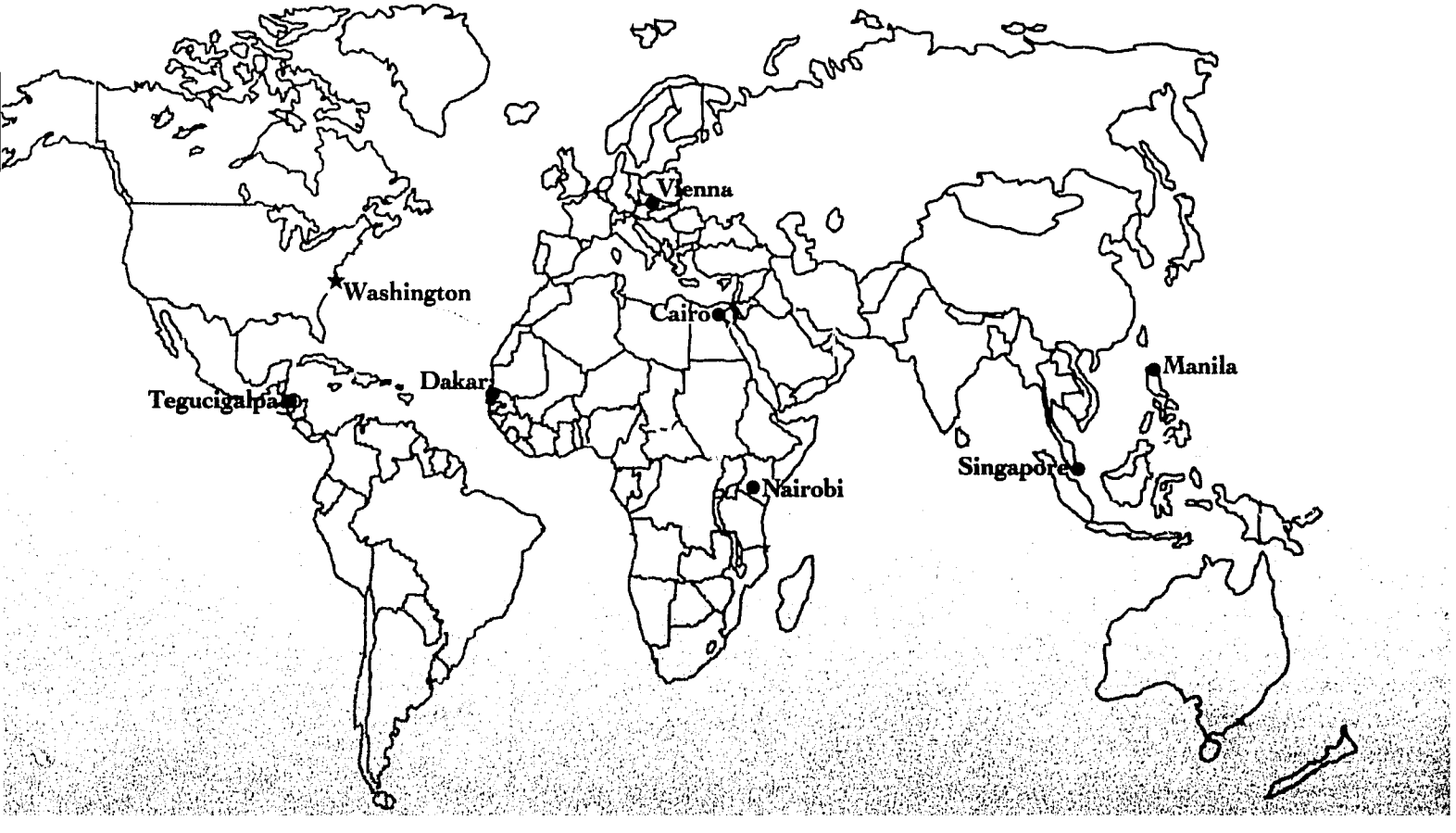
PD-ABD-899

Regional Inspector General for Audit
Singapore

AUDIT OF COMMERCIAL CREDIT PROGRAM BANGLADESH

Audit Report No. 5-388-92-13-N
March 13, 1992



INSPECTOR GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

AUDIT OF
COMMERCIAL CREDIT PROGRAM
BANGLADESH

AUDIT REPORT NO. 5-388-92-13-N

March 13, 1992

The auditors reported that the Fund Accountability Statement of the Commercial Credit Program operated by Bangladesh Bank is fairly presented; that no material weaknesses in the internal control structure were noted; and that Bangladesh Bank complied, in all material respects, with applicable laws, regulations, and agreement terms. However, several non-material internal control weaknesses and minor instances of noncompliance were noted. These resulted in $208,868 of questioned costs and at least $3,197 in interest recoveries for the program.

FINANCIAL INFORMATION CONTAINED IN THIS REPORT MAY BE PRIVILEGED. THE RESTRICTIONS OF 18 USC 1905 SHOULD BE CONSIDERED BEFORE ANY INFORMATION IS RELEASED TO THE PUBLIC.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
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March 13, 1992

MEMORANDUM FOR: Mary C. Kilgour
Mission Director, USAID/Bangladesh

FROM: James B. Durnil, RIG/A/Singapore

SUBJECT: Audit of Commercial Credit Program - Bangladesh
Audit Report No. 5-388-92-13-N

The audit firm of Price Waterhouse, India, performed a financial audit of the Commercial Credit Program operated by Bangladesh Bank under USAID/Bangladesh's Fertilizer Distribution Improvement II Project. Five copies of the audit report are enclosed for your action.

Under the Fertilizer Distribution Improvement II Project, USAID/Bangladesh provided funds to the Bank of Bangladesh to operate a Commercial Credit Program. The purpose of the Commercial Credit Program is create fertilizer credit for private sector dealers and to promote intermediary credit facilities in Bangladesh. The nationwide Program targets national, regional, and division-level fertilizer re-sellers in Bangladesh and is implemented through the institutionalized banking system. The period covered by the audit was May 1, 1989 to December 31, 1990, during which the Bangladesh Bank received $15 million from USAID/Bangladesh for program activities.

The audit objectives were to: (1) determine whether the Fund Accountability Statement of the Commercial Credit Program operated by Bangladesh Bank presents fairly the receipts, disbursements, and ending cash balance for the period May 1, 1989 through December 31, 1990; (2) report on Bangladesh Bank's system of internal controls; and (3) report on Bangladesh Bank's compliance with applicable laws, regulations, and agreement terms.

The auditors reported that the Fund Accountability Statement of the Commercial Credit Program operated by Bangladesh Bank presents fairly the receipts, disbursements, and ending cash balances for the period audited; that no material weaknesses in the internal control structure were noted; and that for the items tested, Bangladesh Bank complied, in all material respects, with applicable laws, regulations, and agreement terms. However, several non-material internal control weaknesses and minor instances of noncompliance were noted. These resulted in

$208,868 of questioned costs and at least $3,197 in interest recoveries for the program.

The management of Bangladesh Bank generally agreed with the auditors' findings and recommendations. Bangladesh Bank's response is shown after each finding.

We are making the following recommendations to be included in the Inspector General's recommendation follow-up system.

> **Recommendation No. 1: We recommend that USAID/Bangladesh resolve the $208,868 in questioned costs in the report (page 45), and recover any amount determined to be unallowable.**
>
> **Recommendation No. 2: We recommend that USAID/Bangladesh require Bangladesh Bank to compute its total interest loss based on the findings in the report (see findings 1, 2, 5, and 6); and verify that these losses, including $3,197 identified in the report (see finding 4), have been recovered and included in the pool of funds available for the program.**
>
> **Recommendation No. 3: We recommend that USAID/Bangladesh verify that all excess interest charged by participating banks as identified in the report (see finding 10) have been returned to the borrowers.**
>
> **Recommendation No. 4: We recommend that USAID/Bangladesh verify that Bangladesh Bank has established and implemented a system to: (1) check that all targeted recipients of program funds are recognized fertilizer sources; (2) keep track of when financing to and interest payments from participating banks fall due; (3) accurately calculate the amount of interest due from participating banks and collect these sums in a timely manner; (4) recover or renew financing credits which have fallen due to payment; and (5) followup on any exceptions arising from such matters.**
>
> **Recommendation No. 5: We recommend that USAID/Bangladesh verify that Bangladesh Bank has established and implemented a system to ensure that participating banks: (1) maintain the proper loan documentation for all applicants for program funds; (2) visit all borrowers of program funds to inspect inventories, sales records, and purchase records; (3) check for adequate insurance coverage on borrowers' inventories; and (4) report on exceptions found so that necessary follow-up action can be taken.**

We appreciate the courtesies and cooperation the Mission, Bangladesh Bank, and all participating banks extended to the auditors and our staff during the course of this audit.

Please advise me within 30 days of any actions planned or taken to close the above recommendations.

COMMERCIAL CREDIT PROGRAM

OPERATED BY BANGLADESH BANK UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO. 388-0060

AUDITORS' REPORT

Price Waterhouse

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Price Waterhouse

Mr. James B. Durnil
Regional Inspector General for Audit
U.S. Agency for International Development
Singapore

Dear Mr. Durnil,

This report presents the results of our financial audit of the Commercial Credit Program (CCP) operated by the Bangladesh Bank (BB) under the Fertilizer Distribution Improvement II Project (388-0060) for the period from 1st May 1989 to 31st December 1990.

BACKGROUND

The purpose of the Fertilizer Distribution Improvement II (FDI-II) Project is to improve agricultural production by increasing fertilizer consumption through more responsive and cost-effective distribution of fertilizers. Simultaneously, the product will also continue to assure adequate supplies of fertilizers nationwide. USAID/ Bangladesh recognizes the importance of increasing consumption of fertilizers and has financed the FDI-II Project (388-0060). The project is a seven year effort authorized at $65.0 million under a project grant and loan agreement dated August 30, 1984 which ended on September 30, 1991 (since extended to August 29, 1994 as per Project Implementation Letter dated September 3, 1990).

USAID/Bangladesh implements this project through agencies of the Government of Bangladesh (GOB) and grants and contracts to various non-governmental organisations (NGOs). One of these agencies is the Bangladesh Bank which administers and implements the Commercial Credit Program (CCP), a subproject of FDI-II under which USAID/Bangladesh provides funds for fertilizer imports, infrastructure and commodities, technical assistance, training and studies.

The primary purpose of the CCP is to create fertilizer credit for private sector dealers and to promote intermediary credit facilities in Bangladesh. This program will be nationwide, targeted towards national, divisional and regional level fertilizer resellers, and will be implemented through the institutionalized banking system of the country (Bangladesh Bank). The Bangladesh Bank (BB) started CCP operations during July 1989 based on Project Implementation Letter (PIL) Nos.21 and 28, dated October 23, 1988 and February 26, 1989, respectively.

As of 31st December 1990 USAID/Bangladesh has obligated $15.0 million under the grant to BB for the CCP and the full amount has been disbursed as of that date to the BB since May 1989.

AUDIT OBJECTIVES AND SCOPE

A financial audit of the Fund Accountability Statement of the Commercial Credit Program operated by BB under the Fertilizer Distribution Improvement II Project (388-0060) was performed in accordance with generally accepted auditing standards set forth by the AICPA and U.S. Government Auditing Standards set out in the U.S. General Accounting Office's "Yellow Book" titled "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (1988 Revision). The audit included appropriate tests to determine if funds were being properly accounted for and used as directed by the Agreement and other applicable program documents or the laws of Bangladesh. The principal objectives of the audit was to determine whether:

1. The Fund Accountability Statement of the Commercial Credit Program operated by BB presents fairly the receipts and disbursements and ending cash balance covering the period from May 1, 1989 to December 31, 1990 in accordance with the terms of the project loan and grant agreement (Agreement) and PIL Nos 21 and 28 issued by the Agency for International Development (A.I.D) and identify any disbursement to Participating Banks which were not supported with adequate records or reasonable or allowable under the terms of the Agreement or the PILs.
2. BB's internal accounting controls were adequate for A.I.D purposes.
3. BB has complied with the applicable laws, regulations and agreement terms.

RESULTS OF THE AUDIT

Fund Accountability Statement

In our opinion, the Fund Accountability Statement presents fairly the receipts and disbursements and ending cash balance of the CCP operated by BB under Fertilizer Distribution Improvement II Project No. (388-0060).

Internal Accounting Controls

Our review and evaluation of the system of internal accounting controls of BB indicated certain reportable conditions (discussed in Findings 3 to 6).

None of the above reportable conditions are a material weakness in which the design or the operation of the internal control structure does not reduce to a low level, the risk that errors or irregularities in amounts that could be material in relation to the Fund Accountability Statement may occur and not be detected in a timely manner.

Compliance with Agreement Terms

Our testing of transactions and records selected, disclosed instances of non-compliance with certain laid down policies and procedures (discussed in Findings 7 to 15 and Findings 3, 5 and 6 of the Report on the internal controls). Based on the results of our audit for the items tested, BB and PBs complied in all material respects with the Agreement terms, PIL's, applicable laws and regulations and binding policies and procedures. For the items not tested by us nothing came to our attention to indicate that BB was not in compliance with Agreement terms, PIL's and applicable laws and regulations. The overall result of the non-compliance issues, however, do not have a material effect on the Fund Accountability Statement of the CCP for the period under review.

BB AND PB's MANAGEMENT COMMENTS ON OUR FINDINGS AND RECOMMENDATIONS.

BB and PB officials were generally in agreement with our findings and recommendations. They have advised us of various measures which are being or have been taken to rectify the deficiencies and areas of non-compliance which were highlighted during our audit. Their comments are set out after findings and recommendations in each report.

FOLLOW-UP ON PRIOR AUDIT

Our audit included a review of the status of action taken on the findings reported by M/S Acnabin & Co in their review of March 1990 to assess the Commercial Credit Program. While action has been taken and many of their recommendations implemented, there were still certain areas where corrective action remained to be initiated like delay in processing applications for credit, dealers not making timely repayments as stipulated, Participating Banks charging higher rate of interest and not submitting status reports to BB on a timely basis etc. Details of above are separately discussed in the Follow-up on Prior Audit Section on page 44.

Price Waterhouse

PRICE WATERHOUSE
CHARTERED ACCOUNTANTS.

January 27, 1992

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COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO. 388-0060

INDEPENDENT AUDITORS' REPORT ON THE FUND ACCOUNTABILITY STATEMENT

Mr. James B. Durnil
Regional Inspector General for Audit
U.S. Agency For International Development
Singapore

We have audited the Fund Accountability Statement of the Commercial Credit Program (CCP) operated by the Bangladesh Bank (BB) under the Fertilizer Distribution Improvement II Project (388-0060) as set out on pages 7 to 13 herein for the period from 1st May, 1989 to 31st December 1990. The Fund Accountability Statement is the responsibility of the Management of Bangladesh Bank (BB). Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2(C) on Page 9 this Fund Accountability Statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Fund Accountability Statement referred to above read with the notes attached thereto presents fairly in all material respects program receipts and disbursements for the twenty month period ended 31st December, 1990 in conformity with the basis of accounting described in Note 2(C).

This report is intended for the information of USAID/Bangladesh, the management of the Bangladesh Bank and International Fertilizer Development Center. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Price Waterhouse

PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

June 19, 1991

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II
PROJECT NO.388-0060

FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD 1ST MAY 1989 TO 31ST DECEMBER 1990.

	NOTES	AMOUNT (TK)	AMOUNT (US$)
SOURCE OF FUNDS			
Contributions from USAID	3	493,181,400	13,799,144
Interest from Participating Banks	4	9,369,813	262,166
TOTAL		502,551,213	14,061,310
APPLICATION OF FUNDS			
Refinance to Participating Banks.	5	264,638,000	7,404,533
Closing Balance as at 31st December 1990.	6	237,913,213	6,656,777
TOTAL		502,551,213	14,061,310

Price Waterhouse

PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

June 19, 1991

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO.388-0060

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1 - IDENTIFICATION AND ACTIVITY

The Fertilizer Distribution Improvement II (FDI-II) Project (388-0060) is a seven year effort authorized at $65.0 million under a project grant and loan agreement dated August 30,1984 which is due to end on September 30,1991. USAID/Bangladesh implements this project through agencies of the Government of Bangladesh (GOB) and grants and contracts to various non-governmental organisations (NGOs). One of these GOB agencies is the Bangladesh Bank which administers and implements the commercial credit program (CCP), a subproject of FDI-II under which USAID/ Bangladesh provides funds for the fertilizer imports, infrastructure and commodities, technical assistance, training and studies.

As of December 31, 1990, USAID/Bangladesh has obligated $15.0 million of the grant to Bangladesh Bank and the full amount has been disbursed as of that date to BB since May 1989. The most recent amendment of the Project Loan and Grant Agreement was dated March 25, 1991.

The primary objectives of the CCP are as follows-

(i) Create fertilizer credit for private sector dealers.

(ii) Promote intermediary credit facilities in Bangladesh.

NOTE 2 - BASIS OF ACCOUNTING / ACCOUNTING POLICIES

A. Funds are received from USAID/Bangladesh in local currency. Consequently, the books of account are maintained and the Fund Accountability Statement is expressed in Taka, the monetary unit of Bangladesh. Equivalent US Dollar amounts have been arrived at @ 1 US$ = Tk 35.74 being the exchange rate prevailing at the period end i.e. 31st December 1990 and accordingly the amount received by Bangladesh Bank (US $ 13,799,144) as shown in the Fund Accountability Statement differs from US$ 15 million disbursed by USAID.

B. Bangladesh Bank maintains two separate accounts in its General Ledger as follows:-

(a) A non-interest bearing account for receipt and deposit of the funds advanced by USAID - "FDI-II Commercial Credit Account Number - I" and

(b) A second account for deposit of all repayments (reflows) of credit extended by Bangladesh Bank to Participating Banks under the program "FDI - II Commercial Credit Account Number - II".

Funds received from USAID/Bangladesh and reimbursement made therefrom are recorded in account No.I and repayment of principal and interest are recorded in account No.II.

C. Funds received from USAID/Bangladesh and repayment of principal and interest received from Participating Banks and disbursements made to them are accounted for on cash basis.

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II
PROJECT NO.388-0060

NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTD.)

NOTE 3 - CONTRIBUTIONS FROM USAID

	AMOUNT	
	(Tk)	(US$)
1st Tranche (Received in May 1989)	160,993,500	4,504,575
2nd Tranche (Received in February 1990)	225,390,900	6,306,405
3rd and Final Tranche (Received in December 1990)	106,797,000	2,988,164
TOTAL	493,181,400	13,799,144

As US Dollar amounts have been arrived at @ 1 US$ = Tk 35.74 being the exchange rate prevailing at period end i.e. 31st December 1990 the amount received by Bangladesh Bank (US$ 13,799,144) as shown in the Fund Accountability Statement differs from US$ 15 million disbursed by USAID (mentioned in Note 1). If the translations were made at the rates prevailing on the date of disbursements the amount received by BB in equivalent US Dollar would be US$ 15 million.

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II
PROJECT NO.388-0060

NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTD.)

NOTE 4 - INTEREST FROM PARTICIPATING BANKS

Name of the Bank	Amount	
	(TK)	(US$)
Arab Bangladesh Bank Ltd.	1,995,551	55,835
Uttara Bank Ltd.	Nil	Nil
National Bank Ltd.	3,634,444	101,691
Al Baraka Bank Bangladesh Ltd.	Nil	Nil
Agrani Bank	Nil	Nil
The City Bank Ltd.	1,015,176	28,405
Rupali Bank Ltd.	1,055,880	29,543
United Commercial Bank Ltd.	385,419	10,784
Janata Bank	465,145	13,015
Sonali Bank	620,628	17,365
Rajshahi Krishi Unnayan Bank	51,994	1,455
Pubali Bank Ltd.	145,576	4,073
TOTAL	9,369,813	262,166

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO.388-0060

NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTD.)

NOTE 5 - REFINANCE TO PARTICIPATING BANKS

NAME OF THE BANK	AMOUNT DISBURSED		AMOUNT RECOVERED		AMOUNT DUE	
	(TK)	(US$)	(TK)	(US$)	(TK)	(US$)
Arab Bangladesh Bank Ltd.	75,000,000	2,098,489	30,000,000	839,396	45,000,000	1,259,094
Uttara Bank Ltd.	45,375,000	1,269,586	Nil	Nil	45,375,000	1,269,586
National Bank Ltd.	88,820,000	2,485,171	45,060,000	1,260,772	43,760,000	1,224,399
Al Baraka Bank Bangladesh Ltd.	34,545,000	966,564	Nil	Nil	34,545,000	966,564
Agrani Bank	53,955,000	1,509,653	Nil	Nil	53,955,000	1,509,653
The City Bank Ltd.	13,900,000	388,920	13,900,000	388,920	Nil	Nil
Rupali Bank Ltd.	21,285,000	595,551	7,873,000	220,285	13,412,000	375,266
United Commercial Bank Ltd.	18,950,000	530,218	18,950,000	530,218	Nil	Nil
Janata Bank	36,741,000	1,028,008	27,670,000	774,203	9,071,000	253,805
Sonali Bank	11,050,000	309,177	Nil	Nil	11,050,000	309,177
Rajshahi Krishi Unnayan Bank	2,867,000	80,219	2,187,000	61,192	680,000	19,026
Pubali Bank Ltd.	7,790,000	217,963	Nil	Nil	7,790,000	217,963
TOTAL	410,278,000	11,479,519	145,640,000	4,074,986	264,638,000	7,404,533

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II
PROJECT NO.388-0060

NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTD.)

NOTE 6 - CLOSING BALANCE AS AT 31ST DECEMBER 1990

	AMOUNT	
	(TK)	(US$)
Balance in Fertilizer Distribution Improvement II Project Account No.1	82,903,400	2,319,625
Balance in Fertilizer Distribution Improvement II Project Account No.2	155,009,813	4,337,152
TOTAL	237,913,213	6,656,777

COMMERCIAL CREDIT PROGRAM. OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO. 388-0060.

FINDING 1

DISBURSEMENTS NOT MADE DIRECTLY TO A RECOGNIZED FERTILIZER SOURCE

CONDITION

Our examination of cash credit accounts in various Participating Banks revealed that in a number of cases transfers had been made from Cash Credit Accounts to other Accounts of the borrowers or to other parties not being a recognized fertilizer source. Two instances are given below :-

a) Al Baraka Bank Bangladesh Ltd. - Principal Office Branch. A borrower South Asia Shipping Ltd. of the above branch transferred a sum of $ 55,960 (TK.2,000,000) to their Current Account No.CD 100259 in the same branch on June 24, 1990.

b) National Bank Ltd.- Bogura Branch. One of the borrowers Tyson Agro Services Ltd. of the above branch transferred a sum of $ 5,260 (Tk.188,000) to the Cash Credit Account No.161 of M/s Bogura Cigarette Stores on December 20, 1989 which is prima facie not an approved fertilizer source.

Our examination of the Cash Credit Accounts in various Participating Banks also revealed that in 25 cases disbursements to fertilizer dealers had been made by cash checks. (Details given in Annexure - II on Page 48).

CRITERIA

Proper utilization of program funds requires disbursements to be made by crossed checks/drafts directly to a recognized fertilizer source.

CAUSE

1) Transfers to other Accounts made by Participating Banks resulted from an inadequate appreciation of the prescribed mode for disbursements laid down by Bangladesh Bank.

2) The main reason for allowing use of cash checks to the borrowers was to enable them to obtain Demand Drafts/Pay Orders from other banks having a branch at the place where fertilizer suppliers were located.

EFFECT

Such transfer of funds to other accounts and disbursements made by cash checks may not always ensure proper utilization of program funds.

RECOMMENDATION NO. 1

We recommend that USAID reviews the disbursements and if appropriate instruct Bangladesh Bank to require the Participating Banks to ensure that payments are made by crossed checks/drafts directly to a recognized fertilizer source.

AUDITEE'S COMMENTS

i) Uttara Bank Ltd.

Branches have already been advised not to allow any cash withdrawal.

ii) Rupali Bank Ltd.

Cash checks were used for purchasing Demand Drafts from other Banks who have branches in the station of the fertilizer factory. We have of course instructed branches to purchase DD's through their branches on Bank A/C in such cases.

iii) National Bank Ltd.

The party made cash drawings from the Bank A/C to purchase Demand Drafts from other bank who has branch at factory site.

FINDING 2

REFINANCE GRANTED IN EXCESS OF CREDIT EXTENDED BY PBs

CONDITION

A comparison of the credits extended to various fertilizer dealers by Arab Bangladesh Bank Ltd.(ABBL) on certain dates with the corresponding amount of refinance held by them against those credits on the same dates revealed the following differences:

Date	Refinance granted by BB	Credits sanctioned by ABBL	Excess refinance
February 28, 1990	$ 559,597 (Tk20,000,000)	$ 223,839 (Tk8,000,000)	$335,758 (Tk12,000,000)
September 30, 1990	$1,259,093 (Tk45,000,000)	$1,101,707 (Tk39,375,000)	$157,387 (Tk5,625,000)
December 31, 1990	$1,259,093 (Tk45,000,000)	$1,235,450 (Tk44,155,000)	$ 23,643 (Tk845,000)

CRITERIA

As Participating Banks provide credit initially from their own resources to the eligible borrowers and thereafter apply to Bangladesh Bank for refinance of the credits sanctioned (refer Bangladesh Bank's Circular Letter No. BCD [Spl. Credit] 652/13-15 dated May 29, 1989) the refinance should not exceed the credit sanctioned.

CAUSE

The granting of excess refinance by the Bangladesh Bank resulted from a situation where applications for refinance were considered by Bangladesh Bank not only on the basis of credit limits sanctioned by Participating Banks but also credit proposals lying with them under process of approval possibly due to oversight. In other words, the provisions of BB Circular No.19 dated May 7, 1990 (which requires BB to grant refinance only for credits actually sanctioned by PBs) were not complied with.

EFFECT

Such disbursement of funds by Bangladesh Bank against credit proposal under process of approval resulted in release of funds in excess of requirements under CCP. ABBL therefore came by extra funds for varying periods (upto May 1991 when the refinance was repaid) and were liable to pay penal interest @ 16% as laid down by PIL No.21 dated October 23, 1988. The extent of the loss of interest could not however be quantified readily.

RECOMMENDATION NO.2

We recommend that Bangladesh Bank:

a) treat applications for refinance only on the basis of credits actually "sanctioned" by Participating Banks and the internal check system be strengthened to ensure this.

b) compute the loss of penal interest for the periods the refinance granted remained in excess of credits sanctioned by ABBL and recover the same.

AUDITEE'S COMMENTS

i) Arab Bangladesh Bank Limited

We approached Bangladesh Bank to increase the refinance limit from $ 649,133 (Tk.23,200,000) to $ 1,259,093 (Tk.45,000,000) on October 20, 1990 taking into account sanctioned limits and credit proposals under process of approval. The disbursement against the application was effected on December 29, 1990. Meanwhile due to downward refixation of limit of one client the aggregate of sanctioned limits reduced from $ 1,329,043 (Tk.47,500,000) to $ 1,233,912 (Tk.44,100,000) raising the discrepancy. The aggregate of sanctioned limits as of January 31, 1991 stands at $ 1,362,619 (Tk.48,700,000).

ii) Bangladesh Bank

The entire amount of refinance together with interest accrued thereon had been repaid by Arab Bangladesh Bank Limited by May 19, 1991. This was a single instance and steps have already been taken to avoid such lapses in future.

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COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO 338-0060

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROLS

Mr. James B. Durnil
Regional Inspector General for Audit
U.S Agency for International Development
Singapore

We have audited the Fund Accountability Statement of the Commercial Credit Program (CCP) operated by the Bangladesh Bank (BB) under the Fertilizer Distribution Improvement II Project (388-0060) for the period from 1st May 1989 to 31st December 1990 as set out on pages 7 to 13 and have issued our report thereon dated 19th June, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

In planning and performing our audit of the CCP we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide assurance on the Internal Control Structure.

The management of BB is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Fund Accountability Statement in accordance with generally accepted accounting principles. Because of inherent limitations

in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories :-

a) General Controls.

b) Receipts.

c) Disbursements.

d) Receivables from Participating Banks.

For all the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organisation's ability to record, process, summarize and report financial data consistent with the assertions of management in the Fund Accountability Statement. The conditions which include deficiencies in system of disbursement of grant funds, lack of control in the accounting of interest and non-repayment or timely renewal of refinance granted etc. are described in Findings 3 to 6.

A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a low level the risk that errors or irregularities in amounts that would be material in relation to the Fund Accountability Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our examination of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of USAID/Bangladesh the management of the Bangladesh Bank and International Fertilizer Development Center. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Price Waterhouse

PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

June 19, 1991

COMMERCIAL CREDIT PROGRAM. OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO. 388-0060.

FINDING 3

DEFICIENCY IN FUND MANAGEMENT PROCEDURE

CONDITION

A sum of $659,205 (Tk 23,560,000) was disbursed by Bangladesh Bank by way of refinance to National Bank Limited on October 20, 1990 vide Debit Advice No.DAD/ 20495 dated October 20, 1990 inspite of insufficient program funds in Fertilizer Distribution Improvement II CCP Account No.I at that time. Necessary book adjustment for the above mentioned disbursement was made only after receipt of third tranche from USAID/ Bangladesh on December 22, 1990.

CRITERIA

As per Bangladesh Bank's Circular Letter No. 19 dated May 7, 1990 refinance should be given to participating banks subject to availability of program funds with Bangladesh Bank.

CAUSE

The above referred disbursement resulted from non-submission of request for third tranche well in advance of the depletion of funds as envisaged in Project Implemention Letter (PIL) 28 dated February 26, 1989.

EFFECT

The above referred disbursement resulted in overdrawing of funds from CCP Account No. I to the tune of $58,579 (Tk 2,093,600) pending USAID approval for utilization of funds for refinance from Account No.2. BB also bore the credit risk of such disbursement in case USAID approval was not forthcoming.

RECOMMENDATION NO.3

We recommend that Bangladesh Bank submit their request for future tranches, if any, well in advance of depletion of grant funds based on a subsequent 90 day projection of needs as laid down in Project Implemention Letter No.28 dated February 26, 1989.

AUDITEE'S COMMENTS

Refinance facility amounting to $ 659,205 (Tk.23,560,000) was extended to National Bank Ltd on October 20, 1990 considering the request made by the Bank. Due to shortage of funds in "Fertilizer Distribution Improvement - II Commercial Credit Program Account No-1" $600,627 (Tk.21,466,400) was released from the said account and $58,579 (Tk.2,093,600) was financed from own resources of Bangladesh Bank. The position was however adjusted on December 24, 1990 on receipt of fund from USAID. This arrangement did not in any way hamper the objective of the program.

FINDING 4

SHORT RECEIPT OF INTEREST

CONDITION

Interest received from Rupali Bank Limited on May 8,1991 for the period November 28, 1990 to January 30, 1991 was found short to the tune of $ 3,197 (Tk 114,247).

CRITERIA

The sub-agreement of Bangladesh Bank with Participating Banks require that PBs pay BB 9.75% interest on the amount of refinance given to them. Generally accepted accounting standards also require the establishment of internal accounting controls for ensuring appropriate recoveries of all dues (interest in this case).

CAUSE

There is an absence of a proper system of necessary check in this regard.

EFFECT

The above mentioned deficiency resulted in a short accounting of interest. Discrepancies in interest may remain undetected for considerable length of time in the absence of checking.

RECOMMENDATION NO.4

Though this was the only instance, we recommend for better control that Bangladesh Bank introduce appropriate internal control measures to check the interest calculation in order to ensure the adequacy of the amount received. Efforts should also be made to recover the shortfall in interest.

AUDITEE'S COMMENTS

The shortfall has since been realised from the concerned Bank.

FINDING 5

PARTICIPATING BANKS NOT REPAYING/RENEWING REFINANCE IN A TIMELY MANNER.

CONDITION

Our examination of reflows revealed that the following three Participating Banks had neither repaid nor renewed the refinance amount held by them along with interest on expiry of 90 days :

Name of Bank	Amount of Refinance	Due date for repayment/ renewal.	Actual date of repayment/ renewal.	Gap
Arab Bang -ladesh Bank Ltd.	$609,961 (Tk21,800,000)	August 13,1990	August 22,1990.	9 days
Agrani Bank	$511,052 (Tk18,265,000)	March 25, 1990	March 31, 1990.	6 days
Uttara Bank Ltd.	$1,269,586 (Tk45,375,000)	December 7,1990	February 18,1991	73 days

CRITERIA

As per Bangladesh Bank Circular Letter No. 19 dated May 7, 1990 all Participating Banks who have availed themselves of refinance are to pay back the amount taken as refinance after expiry of 90 days with interest or to obtain prior renewal from Bangladesh Bank.

CAUSE

The Participating Banks were not complying with the instructions contained in Bangladesh Bank's Circular due to lack of a proper follow up by Bangladesh Bank.

EFFECT

As a result of non-repayment of the refinance the reflows in CCP Account No.2 were affected though not to an extent where refinancing by BB was delayed in any way.

RECOMMENDATION NO.5

It is recommended that Bangladesh Bank lay down proper procedure for following up on repayments as well as renewal of refinance falling due for payment.

AUDITEE'S COMMENTS

The Participating Banks were advised to repay/renew the amount of refinance on expiry of 90 days. Realization of interest on refinance amount has since been made up-to-date. General authority has also been taken from PBs to debit their accounts after 90 days.

FINDING 6

DELAYED PAYMENT OF INTEREST

CONDITION

Our examination of books revealed that most of the Participating Banks are not paying interest on refinance to Bangladesh Bank on expiry of 90 days. Instances are set out in Annexure I on page 46 & 47.

CRITERIA

Bangladesh Bank vide its Circular Letter No.19 dated May 7, 1990 had instructed the Participating Banks to pay back the amount taken as refinance after the expiry of 90 days with interest.

CAUSE

The above mentioned non-compliance resulted from a lack of proper system of follow up at Bangladesh Bank.

EFFECT

As a result of delayed payment of interest and in the absence of any provision for penal interest, reflows in Account No. 2 are affected and Bangladesh Bank has been losing interest (the extent not being readily quantifiable).

RECOMMENDATION NO.6

We recommend that Bangladesh Bank follows up for timely recovery of interest. We also recommend the introduction of a suitable provision for payment of penal interest in case interest on refinance is not paid within cycles of 90 days.

AUDITEE'S COMMENTS

Interest on refinance amount is now being paid by the Participating Banks on expiry of 90 days. Also general authority has been taken from PBs to debit their account for the interest.

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COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO.388-0060

INDEPENDENT AUDITORS' REPORT ON TEST OF COMPLIANCE WITH AGREEMENT TERMS, APPLICABLE LAWS AND REGULATIONS.

Mr. James B. Durnil
Regional Inspector General for Audit
U.S. Agency for International Development
Singapore

We have audited the Fund Accountability Statement of the Commercial Credit Program operated by the Bangladesh Bank (BB) under the Fertilizer Distribution Improvement II Project (388- 0060) set out on pages 7 to 13 for the period from 1st May 1989 to 31st December 1990 and have issued our report thereon dated 19th June, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audit contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to the Commercial Credit Program is the responsibility of the management of Bangladesh Bank. As part of our audit, we performed tests of the Bangladesh Bank's compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

Our testing of transactions and records selected, disclosed instances of non-compliance with certain laid down policies and procedures. All instances of non-compliance that we found are identified in the accompanying schedule of Findings 7 to 15 and Findings 3, 5 and 6 of the Report on the Internal Controls.

The result of our tests indicate that with respect to the items tested the Bangladesh Bank complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Bangladesh Bank had not complied, in all material respects, with those provisions.

This report is intended for the information of USAID/Bangladesh, the management of the Bangladesh Bank and International Fertilizer Development Center. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Price Waterhouse

PRICE WATERHOUSE
CHARTERED ACCOUNTANTS.

June 19, 1991

COMMERCIAL CREDIT PROGRAM. OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO. 388-0060.

FINDING 7

DELAYED PROCESSING OF CREDIT APPLICATIONS BY PBs

CONDITION

It was observed in a number of instances that processing of credit applications by Participating Banks well exceed the prescribed time limit of 30 days. Some of the instances are given in Annexure III on page 49.

CRITERIA

Project Implementation Letter No. 21 dated October 23, 1988 prescribes that processing of applications should be done rapidly and a decision conveyed to the applicant as soon as possible. In no instance should a decision exceed twenty one working days from the date of application received by the banks. In the event that a loan request exceeds the local branch authority, the branch manager will make every effort to expedite approval from the appropriate higher level within 30 working days.

CAUSE

Delay in processing applications in many cases can be attributed to lack of proper documents in support of credit application(s) in absence of which Head Office of Banks could not sanction the necessary credits in a timely manner.

EFFECT

Delay in processing credit applications results in slowing down the pace of the program. This is because the rationale for CCP is in the need for promoting a specific revolving line of credit and PBs have a firm obligation for timely disbursement of the credit. Any delay in sanctioning the credit sets in a chain reaction affecting the program, though its financial effect can not be quantified.

RECOMMENDATION NO. 7

We recommend that Bangladesh bank issue instructions to Participating Banks to collect all necessary information and documents expeditiously, specially in cases where the loan request exceeds the local branch authority, in order that the higher office of Participating Banks can sanction the credit without any delay and within the 30 day time limit.

AUDITEE'S COMMENTS

i) National Bank Ltd.

At the time of submission of application borrowers did not submit all requisite documents.

ii) Agrani Bank

Case of M/s Mohammed Safi - The proposal was received by us (Head Office) on September 4, 1990. Due to lack of some important information and papers, correspondence had to made with the branch. Thereafter the proposal was processed by us and the same got approved by the Board of Directors in the meeting held on October 30, 1990. The sanction was issued on November 2, 1990. Necessary measures have been taken to avoid such unnecessary delay and to minimise time for processing and sanction.

iii) Sonali Bank

Case of Moma Traders- The loan has been sanctioned by our controlling office as per usual procedure of the bank.

Case of Zahid Brothers-

a) Received proposal on December 12, 1989.

b) Proposal sent to Head Office on January 24, 1990 after processing i.e valuation of mortgaged property, legal opinion etc.

c) Head Office sanctioned the limit on April 9, 1990. The matter was delayed due to failure of submission of requisite papers/documents to process the proposal by the borrower.

iv) Rupali Bank Ltd.

Collecting papers and information from the borrowers and subsequently furnishing some more information and papers required by H.O took more than a month.

v) Arab Bangladesh Bank Ltd.

Initially we take some time for sanction of limit to the client for the purpose of evaluation of clients and their business.

vi) Uttara Bank Ltd.

Sanction delayed due to a number of lapses in the proposal and long correspondence with the branch.

FINDING 8

ALLOWANCE OF FACILITIES BY PBs BEYOND CREDIT PERIOD

CONDITION

Our examination of cash credit accounts of various Participating Banks revealed that in a number of cases credit facility had been provided for a year and not on 90 days basis. Consequently the liability had also not been adjusted every 90 days. Instances are given in Annexure IV on page 50 & 51.

CRITERIA

Bangladesh Bank's Circular Letter No.19 dated May 7, 1990 prescribes that the borrower should adjust his liability every 90 days i.e repay the credit with interest on expiry of this period.

CAUSE

Credits for extended period beyond 90 days may have resulted from non-compliance by branch of Head Office instructions or branches not being aware of these requirements.

EFFECT

As a result of non-compliance of Bangladesh Bank Circular, credit facilities were enjoyed by borrowers for extended periods beyond laid down norms and PBs were also open to higher credit risk by extending longer credits. However, this did not affect the reflows directly as the responsibility for repayment of refinance by PBs to BB is independent of the realizations made from the borrower for credit extended.

RECOMMENDATION NO.8

We recommend that Head Office of Participating Banks instruct their concerned branches afresh to adhere to the instructions contained in Bangladesh Bank's Circular number 19 of May 7, 1990.

AUDITEE'S COMMENTS

i) National Bank Ltd.

a) Case of M.M.Haque- Usually borrowers posses a large stock of fertilizers for normal operation of their business. In this case borrower could not adjust limit.

b) Case of Tyson Agro Services Ltd- This is a well operated Account. From March 17, 1990 to November 5, 1990 the limit was fully adjusted 6 times. However steps are being taken for improving the position.

ii) Agrani Bank

Instruction was issued to adjust the liability once within 90 days. But the instruction has not been complied by the branch. Corrective measures are being taken so that such irregularity is not repeated. Strong action is also being taken against officials at fault for violating H.O instructions and sanction terms.

iii) Sonali Bank

We have pursued the borrower through letter and personal contact to square up the balance during the period ended December 31, 1990.

iv) Uttara Bank Ltd.

Loan has been sanctioned for one year. Stocks are retired within every 45 days as per norms. Bank has already been advised to square up the account within every 90 days.

v) Al Baraka Bank Bangladesh Ltd.

a) Case of South Asia Shipping Ltd- Party has not been responding to any of Bank's letters to make repayments.

b) Case of Janata Shipping Lines Ltd- We have made a series of correspondence with the client to adjust the liability. The client has deposited only $ 18,467 (Tk.660,000) for partial adjustment of profit/interest since availment of the facility. Since the facility was allowed for carrying and distributing fertilizer as per allotment of Bangladesh Chemical Industries Corporation under the direct control of Bangladesh Agricultural Development Corporation (BADC),

but the client informed us vide their letter No. JSL/09/91 dated April 21, 1991 that BADC has already stopped the carrying of fertilizer. At present the client has a bill for $710,917 (Tk.25,408,177) pending with BADC which is under Arbitration. The said bill is also assigned with our bank.

c) Case of Sabuj Krishi Farm- At first the client was allowed $ 15,739 (Tk.562,500) on September 16, 1989 which was adjusted on November 15, 1989. Thereafter the client was allowed $ 19,586 (Tk.700,000) on November 15, 1989. The client so far paid $ 20,985 (TK 750,000) including profit/interest of $ 2,238 (Tk.80,000). The client has assured us that the present outstanding of $ 699 (Tk.25,000) will be paid within June 30, 1991.

FINDING 9

DELAYED DISBURSEMENT BY BB

CONDITION

Disbursements of funds by Bangladesh Bank to Participating Banks in a large number of cases had not been made within 10 days from the date of receipt of application for refinance. The delays ranged from 15 to 193 days. (Annexure - V on page 52)

CRITERIA

According to Bangladesh Bank's Circular Letter Nos. BCD (Spl. cr.)/652/13-32 and 19 dated December 12, 1989 and May 7, 1990 respectively, Bangladesh Bank should provide refinance within a period of 10 days from the date the application is received by Bangladesh Bank.

CAUSE

Delays in sanctioning refinance can be attributed to concerned Participating Banks failing to submit their applications together with the required information/supporting documents. Some refinances were also delayed on account of late receipt of third tranche from USAID.

EFFECT

Delays in sanctioning refinance resulted in credits extended by participating banks remaining unreplenished and also loss of interest (being not readily quantifiable) to Bangladesh Bank on refinance delayed which eventually affected the pace of the program.

RECOMMENDATION NO. 9

We recommend all applications for refinance be submitted with all necessary supportings by the participating banks enabling Bangladesh Bank to sanction the refinance in a timely manner.

AUDITEE'S COMMENTS

During the initial period, delay in disposal of some cases beyond the prescribed limit of 10 days might have taken place where concerned Participating Banks failed to submit their application together with the required information/supporting statements. Further delay in a number of cases took place for late receipt of third tranche from USAID. However Participating Banks are now well equipped to process such cases properly and cases are now being disposed off within the time limit prescribed for the purpose.

FINDING 10

INTEREST CHARGED BY PBs IN EXCESS OF PRESCRIBED CEILING

CONDITION

It was observed in two cases that concerned branches of Participating Banks had charged interest from fertilizer dealers @18% against credits sanctioned instead of 16%. Details of the two cases are given below.

Name of Bank	Branch Name	Party
Al Baraka Bank	VIP Road Branch	Sabuj Krishi Farm.
Rupali Bank Ltd.	Bogra Senaniwas Branch	Mondal & Co.

CRITERIA

As per Project Implementation Letter NO.28 dated February 26, 1989 and subsequent Bangladesh Bank's Circulars dated May 29, 1989 and May 7, 1990 interest rate for credit facilities under this program should be the same as in respect of agricultural credit, for which the present rate is 16%.

CAUSE

The charge of higher rate of interest can be attributed to oversight.

EFFECT

The higher interest rate increased the cost of borrowings for the ultimate borrower under the program (though this could not be readily quantified) resulting in higher income for participating banks.

RECOMMENDATION NO. 10

We recommend that instructions be issued to concerned branches of Participating Banks to adhere to the interest rate prescribed under the program and the excess interest charged previously be adjusted.

AUDITEE'S COMMENTS

i) Al Baraka Bank Bangladesh Ltd.

Inadvertently profit/interest was charged @ 18% which is being realised very soon.

ii) Rupali Bank Ltd.

Head Office instruction was to charge interest @ 16%. But branch charged interest @ 18% due to oversight. Henceforth they will charge 16% interest. The amount excess charged will be repaid/adjusted.

FINDING 11

RECORDS OF LOAN APPLICATIONS NOT MAINTAINED BY PB BRANCHES

CONDITION

Our check of records revealed that in a number of cases branches of Participating Banks had not maintained separate Loan Application Register for CCP showing applications received from fertilizer dealers/distributors, sanctions accorded, applications rejected, disbursements made, recovery effected etc. though such information was available in individual dockets in cases where loans had been sanctioned. Example:

	Name of the Bank	Name of Branch
i)	Agrani Bank	D.I.T.
	-Do-	Bargola - Bogura
ii)	Rupali Bank Ltd.	Narayanganj
iii)	Arab Bangladesh Bank Ltd.	Karwan Bazar
	-Do-	Kakrail

CRITERIA

Bangladesh Bank vide its Circular No.BCD (Spl. credit) 653/13-15 dated May 29, 1989 requires all Participating Banks to maintain separate record in respect of credit applications showing all particulars as above.

CAUSE

The reason for non-compliance of above circular was an inadequate appreciation on the part of branch officials, of the need to maintain such records.

EFFECT

The absence of a separate Loan Application Register for CCP impedes ready access to data for IFDC Enumerators and others who need to monitor the program on an extensive basis.

RECOMMENDATION NO. 11

We recommend that head office of Participating Banks instruct their concerned branches to maintain separate records in respect of credit applications in line with BB circular.

AUDITEE'S COMMENTS

i) Agrani Bank

a) D.I.T. Branch- The register is now being maintained, confirmation being obtained from all the concerned branches about implementation of the procedure.

b) Borgola-Bogura Branch- The branch manager was advised by the division vide our circular no. GCD/47 dated June 28, 1989 to maintain the Loan Application Receipt and Rejection Register. Action being taken for strict compliance.

ii) Rupali Bank Limited.

Narayanganj Branch - Branch has been receiving the proposals in their Mail Register and since there was no case of regrettal, no register was maintained.

iii) Arab Bangladesh Bank Ltd.

a) Karwan Bazar Branch - Before receiving any formal application, we discuss the loan proposal with the clients and if the proposal is acceptable to us, we request the client to submit formal proposal and give sanction. If the proposal is not acceptable we reject it during our discussion.

b) Kakrail Branch- Since the branch did not receive any other application in loan sector, the register was not introduced. However, noted for future compliance.

FINDING 12

BORROWERS' ESTABLISHMENTS NOT VISITED BY PBs

CONDITION

It was observed that certain branches of Participating Banks are not carrying out supervision and monitoring credits extended, by periodically visiting the borrower's business establishments, inspecting their inventory and checking their sales and purchase records. Some cases where the party's business establishments had not been visited for inspection of inventory are as follows:

Name of the Participating Bank and Branch.	Name of the Party
Al Baraka Bank Bangladesh Ltd. VIP Road Branch.	Janata Shipping Lines Ltd
-Do-	Sabuj Krishi Farm.
Arab Bangladesh Bank Ltd. Karwan Bazar Branch.	M. Rahman & Co.

CRITERIA

Project Implementation Letter No. 21, dated October 23, 1988 mentions that Participating Banks and their relevant branches will be responsible for attempts to achieve 100% recovery of credits extended and for this purpose the borrowers business establishment should be visited, inventory inspected and sales and purchase records checked periodically.

CAUSE

An inadequate appreciation of the importance of supervision and follow up function on the part of the concerned branches has caused the non-compliance.

EFFECT

In the absence of such supervision and follow up it is not possible to ensure that program funds will be utilized for the intended purpose.

RECOMMENDATION NO. 12

We recommend that the requirements of PIL 21 dated October 23, 1988 in regard to supervision and follow up be strictly implemented by the Participating Banks and notings of all inspections etc be recorded in the register maintained for this purpose and reported to BB also for monitoring purposes.

AUDITEE'S COMMENTS

i) Al Baraka Bank Bangladesh Ltd.

Case of Janata Shipping Lines Ltd- Since the stock of fertilizer is maintained in the different selling centers (outside Dhaka city) which is out of the commanding area of our branch, we could not inspect the stock at any time.

Case of Sabuj Krishi Farm - Same as above.

ii) Arab Bangladesh Bank Ltd.

The facility has been sanctioned against hypothecation of stock of fertilizer. Noted for future compliance.

FINDING 13

ADEQUACY OF INSURANCE COVERAGE NOT ENSURED

CONDITION

In a number of cases it was observed that borrowers had not obtained timely Insurance covers for their inventory or where policies existed these had lapsed and had not been renewed. A few instances of this nature are given below:

Name of the Bank.	Branch	Name of Party	Remarks
Al Baraka Bank Bangladesh Ltd.	VIP Road	Janata Shipping Lines	i) All Insurance Policies expired in March 1990 and not renewed. ii) Policies were also for inadequate sums insured. Credit Sanctioned - $ 279,799 (Tk.10,000,000) Insurance Cover -$ 167,879 (Tk.6,000,000)
-Do-	-Do-	Sabuj Krishi Farm.	No Insurance cover taken.
-Do-	Principal Office	South Asia Shipping Ltd.	Insurance Policy expired on May 25, 1990 and not renewed
Rupali Bank Ltd.	Bogra	Mondol & Company	Insurance Policy expired on January 10, 1991

CRITERIA

IFDC's operational procedures for the Commercial Credit Program requires Participating Banks to obtain Insurance Policies covering the inventory against all insurable risks.

CAUSE

Non-compliance of above requirement can be attributed to laxity on the part of the banks to strictly enforce the terms of the credit.

EFFECT

In the event of a loss, absence of insurance cover could prejudice the recovery of credits extended and affect the program.

RECOMMENDATION NO. 13

We recommend that Banks insist upon Insurance Policies covering borrowers inventories before allowing any withdrawals against new credits sanctioned. The Banks can also ensure that this is effectively performed by paying the premiums directly to the Insurers debiting the Cash Credit Account of the borrowers in the case of renewals of these policies.

AUDITEE'S COMMENTS

i) Rupali Bank Ltd.

Insurance Policy was renewed on January 19, 1991.

ii) Al Baraka Bank Bangladesh Ltd.

Case of Janata Shipping Lines Ltd. - Constant pursuation is going on for obtaining insurance covering the facility amount and also to obtain renewal of the existing policies.

Case of Sabuj Krishi Farm. - The client was requested on several occasions to obtain insurance cover note of the stock.

Case of South Asia Shipping Ltd. - Efforts are still being made to renew the insurance.

FINDING 14

STATUS REPORTS NOT SUBMITTED IN A TIMELY MANNER BY PBs

CONDITION

The Participating Banks are not sending the monthly status reports to Bangladesh Bank in a timely manner. Instances of such delays ranging from 7 to 87 days are shown in Annexure VI on page 53.

CRITERIA

Bangladesh Bank Circular No. BCD (spl credit) 652/13-15 dated May 29, 1989 and Circular No.19 dated May 7, 1990 requires Participating Banks to send the monthly status reports latest by the 7th of the following month.

CAUSE

Though BB has a system to monitor receipt of these reports, non- compliance of the above requirement can be attributed to a general laxity on the part of Bangladesh Bank to insist on a timely receipt of such reports and also a lack of appreciation on the part of Participating Banks to send the reports timely.

EFFECT

Delayed submission of the report impedes the monitoring of the program and comes in the way of initiating timely corrective measures on the part of Bangladesh Bank.

RECOMMENDATION NO.14

We recommend that Bangladesh Bank once again impress upon the delinquent banks the need to send the status reports timely and follow up compliance.

AUDITEE'S COMMENTS

The Participating Banks have already been advised/reminded to submit monthly statements in time. In the meantime most of the Participating Banks have submitted upto date statements.

FINDING 15

INADEQUATE MONITORING OF CREDIT EXTENDED BEYOND SANCTIONED LIMIT - CASE OF TYSON AGRO SERVICES LTD.

CONDITION

Cash Credit facility granted by Bogura Branch of National Bank Ltd. to Tyson Agro Services Ltd. amounted to $44,324 (Tk.1,584,130) as on December 31, 1990 as against the sanctioned limit of $41,970 (Tk.1,500,000). The balance stood at $43,629 (Tk.1,559,288) as on March 31, 1991 after a small repayment in January 1991. The balance had not been repaid/regularized till the time of our audit (June 1991). According to latest available stock statements, stock of fertilizers held by the borrower as on May 23, 1991 amounted to $26,805 (Tk.958,500) (i.e. much lower than the amount drawn

from the Cash Credit Account) indicating that fertilizers had either not been purchased from sums drawn from the Cash Credit Account or no repayments had been made from sale proceeds of fertilizers.

CRITERIA

i) Project Implementation Letter No. 21 dated October 23, 1988 mentions that Participating Banks and their relevant branches will be responsible for attempts to achieve 100% recovery of credits extended and for this purpose the borrowers business establishment should be visited, inventory inspected and sales and purchase records checked periodically. PIL 21 also states that credit transactions of a borrower shall comprise withdrawals of money out of the credit account to make payments for fertilizer or fertilizer related purchases.

ii) IFDC operational procedures for CCP lays down that credit transactions of a borrower shall comprise withdrawals of money out of the credit account to make payments for fertilizer purchases and making deposit of fertilizer sale proceeds towards repayment of credit. Hence the fertilizer credit account of a borrower shall be revolving in nature facilitating repeated withdrawals and deposits.

CAUSE

Absence of regular visits of the borrower's business establishment and of checking of their sales and purchase records by Participating Bank's representatives encouraged the high withdrawal and also default on repayment.

EFFECT

Non-compliance of the above requirement does not ensure appropriate utilization of program funds. Moreover National Bank was also exposing itself to higher credit risk in the absence of adequate monitoring.

RECOMMENDATION NO. 15

We recommend that the requirements of PIL 21 dated October 23, 1988 in regard to supervision and follow up be strictly implemented by the Participating Banks and noting of all inspections etc be recorded in the register maintained for this purpose. PBs should also ensure sanctioned credit limits are not exceeded while disbursing the loans.

AUDITEE'S COMMENTS

i) National Bank Limited

The party could not repay any amount in his C/C (Cash Credit) Account since November 5, 1990 as he procured a huge quantity of TSP (Triple Super Phosphate) at higher rate. Subsequently price of TSP fell down and to avoid loss he had to hold stock. Besides the party had no well protected spacious godown. To run his fertilizer business smoothly and to ensure proper storage of fertilizer in a well protected and advantageously located warehouse, he resorted to construct a godown at a reasonable cost from his own cash. Moreover as the party runs his business with insufficient capital he could not always procure fertilizer directly from factory. Rather he had to procure the same from local businessman whom he had to pay in cash. He had to maintain transaction in his current account instead of C/C Account during the said period as we could not issue pay order directly in the name of local suppliers. Further the party made some transactions in his another S.O.D (Secured Overdraft) Account maintained with us.

After selling reasonable quantity of TSP on credit in the local market the borrower could not procure fertilizer for the next time due to shortage of capital. That is why amount of stock stands behind the outstanding amount. At present the party is owed nearly $16,788 (Tk.600,000) from the local market.

The party could not produce sufficient collateral security to cope with the proposed limit. As such we had to ask for additional security which resulted in lengthy processing of the limit.

As the party had to procure fertilizer from local suppliers/ distributors he had to pay them in cash by drawing bearer checks in C/C Account. However we are keeping constant watch and close contact with the party to recover the outstanding amount.

ii) Bangladesh Bank

Bangladesh Bank will initiate their own follow up action.

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Price Waterhouse

FOLLOW - UP ON PRIOR AUDIT

Mr. James B. Durnil
Regional Inspector General for Audit
U.S. Agency for International Development
Singapore

Our audit included a review of the status of action taken on the findings reported by M/s Acnabin & Co, Chartered Accountants in their review of March 1990 carried out at the instance of USAID/ Bangladesh to assess the Commercial Credit Program.

Corrective action remains to be initiated in respect of the under- noted findings of the reviewing Accountants referred to above.

1. As per M/s Acnabin & Co's Report (page 8) National Bank Limited (Dilkusha Branch) and Al Baraka Bank Bangladesh Ltd. (Principal Office Branch) charge interest from their dealers at a rate higher than 16% [Refer Finding 10 on Page 33 of our report on Compliance with Agreement Terms, Applicable Laws and Regulations - INTEREST CHARGED BY PB'S IN EXCESS OF PRESCRIBED CEILING].

2. As per M/s Acnabin & Co's Report (page 12) credit applications take a longer time (more than a month) to be approved if concurrence of Head Office is required [Refer Finding 7 on Page 28 of our Report on Compliance with Agreement Terms, Applicable Laws and Regulations - DELAYED PROCESSING OF CREDIT APPLICATIONS BY PBs].

3. As per M/s Acnabin & Co's Report (page 14) one possible defaulter in Nandail Branch of the Bangladesh Krishi Bank was noticed where the borrower drew Tk.1.6 million on July 11, 1989 and where no transactions have been recorded since then [Refer Finding 8 on Page 30 of our Report on Compliance with Agreement Terms, Applicable Laws and Regulations - ALLOWANCE OF FACILITIES BY PB'S BEYOND CREDIT PERIOD].

4. As per M/s Acnabin & Co's Report (page 16) Monthly Reports of PB's are not being submitted to Banking Control Department of Bangladesh Bank by five Banks namely Agrani Bank, Al Baraka Bank Bangladesh Ltd., Bangladesh Krishi Bank, City Bank Ltd. and Rajshahi Krishi Unnayan Bank. Four other Banks had delayed in submitting their Reports [Refer Finding 14 on Page 40 of our Report on Compliance with Agreement Terms, Applicable Laws and Regulations- STATUS REPORTS NOT TIMELY SUBMITTED BY PBs].

Price Waterhouse
PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

June 19, 1991

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT (388-0060)

SCHEDULE OF QUESTIONABLE DISBURSEMENTS

1. Disbursements not made directly to a recognized fertilizer source. [Refer Finding 1 Page 14 of the Report on Fund Accountability Statement]

		US $	TK
a)	Amount transferred by Al-Baraka Bank Bangladesh Ltd. from the Cash Credit Account of South Asia Shipping Ltd. to the constituent's Current Account.	55,960	2,000,000
b)	Amount paid by National Bank Ltd. from the Cash Credit Account of Tyson Agro Services Ltd. to M/s. Bogura Cigarette Stores.	5,260	188,000
c)	Payments made by Cash Checks from Cash Credit Account of PBs :		
	Uttara Bank Ltd. (Ramna)	43,089	1,540,000
	- do - (Bogura)	22,680	810,000
	National Bank Ltd. (Narsingdih)	3,556	127,000
	- do - (Bogura)	47,232	1,687,067
	- do - (Brahmanbaria)	5,320	190,000
	Rupali Bank Ltd. (Jahangirabad)	2,128	76,000
2.	Refinance granted by BB in excess of credit extended by PBs [Refer Finding 2 Page 16 of the Report on Fund Accountability Statement]	23,643	845,000
	Consequential loss of penal interest (extent not readily quantifiable).		
		208,868	7,463,067

ANNEXURE - I

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO.388-0060

STATEMENT SHOWING DELAYS IN PAYMENT OF INTEREST BY THE PARTICIPATING BANKS

Name of the Participating Bank.	Refinance Amount US$ (Tk)	Due Date For Receipt of Interest	Actual Date of Receipt of Interest.	Delay
Arab Bangladesh Bank Ltd.	47,566 (1,700,000)	Dec 4, '89.	Oct 14, '90	314 Days
	13,990 (500,000)	Jan 25, '90.	-Do-	262 Days
	279,799 (10,000,000)	Feb 19, '90	-Do-	237 Days
	218,243 (7,800,000)	May 13, '90	-Do-	154 Days
	279,799 (10,000,000)	Aug 13, '90	-Do-	62 Days
National Bank Ltd.	238,808 (8,535,000)	Jan 21, '90	Sept 5, '90	227 Days
	124,930 (4,465,000)	Feb 19, '90	-Do-	198 Days
	201,455 (7,200,000)	Feb 22, '90	-Do-	195 Days
	139,899 (5,000,000)	Mar 18, '90	-Do-	171 Days
	167,879 (6.000,000)	Mar 29, '90	-Do-	160 Days
	83,939 (3,000,000)	Apr 22, '90	-Do-	136 days
	267,487 (9,560,000)	Aug 1, '90	-Do-	35 Days

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO.388-0060

STATEMENT SHOWING DELAYS IN PAYMENT OF INTEREST BY THE PARTICIPATING BANKS

Name of the Participating Bank.	Refinance Amount US$ (Tk)	Due Date For Receipt of Interest	Actual Date of Receipt of Interest.	Delay
United Commercial Bank Ltd.	97,929 (3,500,000)	May 26, '90	June 27, '90	32 Days
City Bank Ltd.	388,920 (13,900,000)	May 27, '90	Sept 19, '90	115 Days
Sonali Bank.	274,902 (9,825,000)	Aug 18, '90	Dec 18, '90	122 Days
Al Baraka Bank Bangladesh Ltd.	686,765 (24,545,000)	Feb 22, '90	Not received till Dec 31, 1990	312 Days
	279,798 (10,000,000)	Mar 29, '90	- do -	277 Days
Agrani Bank	511,052 (18,265,000)	Mar 25, '90	- do -	273 Days
Uttara Bank Ltd.	321,768 (11,500,000)	Mar 5, '90	- do -	301 Days
	279,798 (10,000,000)	Mar 27, '90	- do -	275 Days
	285,394 (10,200,000)	Apr 8, '90	- do -	287 Days
	215,445 (7,700,000)	Aug 8, '90	- do -	146 Days
	167,182 (5,975,000)	Dec 7, '90	- do -	24 Days

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

ANNEXURE - II

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II
PROJECT NO.388-0060

STATEMENT SHOWINC PAYMENTS MADE BY CASH/BEARER CHECKS BY THE PARTICIPATING BANKS TO THE DEALERS

Name of the Participating Bank and Branches	Name of the Dealer	Check Number	Date	Amount US$	Amount TK
Uttara Bank Ltd.	Rora Enterprises Ltd	0782226	6 3 91	16,788	600,000
-Ramna		0782228	14 3 91	2,518	90,000
		0762229	14.3 91	4,197	150,000
		0782231	18 3.91	6,995	250,000
		0782232	25 3.91	7,275	260,000
		0782233	31.3 91	5,316	190,000
				43,089	1,540,000
-Bogura	Krishi Bitan	1012153	8 08.90	14,000	500,000
		1012154	23 08.90	3,080	110,000
		1012155	26 08 90	5,600	200,000
				22,680	810,000
National Bank Ltd	Noor & Brothers	625084	5 12 89	476	17,000
Narsingdih		625085	9 12 89	280	10,000
		625086	19 12 89	2,800	100,000
				3,556	127,000
Bogura	Tyson Agro Services Ltd	1324304	17.12 89	5,600	200,000
		1324307	24 12 89	2,378	85,000
		1324309	21.01.90	5,654	202,067
		1338577	13.11 90	11,200	400,000
		1338578	14.11.90	19,600	700,000
		1338579	12 11.90	2,800	100,000
				47,232	1,687,067
-Brahmanberia	Hazi Sekander & Co.	332380	28 03.90	1,960	70,000
		332386	4.04.90	560	20,000
		332387	26.05 90	1,400	50,000
		332384	28 05 90	1,400	50,000
				5,320	190,000
Rupali Bank Ltd -Jahangirabad	Weasis Construction	553933	10.02.90	1,400	50,000
Senaniwas		553934	8.02 90	700	25,000
		553935	10.02.90	28	1,000
				2,128	76,000

ANNEXURE - III

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO.388-0060

STATEMENT SHOWING INSTANCES OF DELAY IN PROCESSING CREDIT APPLICATIONS BY PARTICIPATING BANKS

Name of the Participating Bank	Proposal Date	Sanction Date	Due Date of Sanction	Delay
National Bank Ltd.				
- Noor & Bros	Aug 2,'89	Oct 21, '89	Sep 2, '89	49 Days
- Tyson Agro Services Ltd	Aug 14,'89	Nov 18 '89	Sep 14, '89	65 Days
Agrani Bank				
M R Brothers	Oct 16,'90	Nov 21, '90	Nov 16, '90	05 Days -
Mohd Sali	Jul 02,'90	Nov 05, '90	Aug 02, '90	95 Days
Sonali Bank				
- Moma Traders	Nov 12,'89	Dec 30, '89	Dec 12, '89	18 Days
- Zahid & Brothers	Nov 21,'89	Apr 16, '90	Dec 21, '89	116 Days
Rupali Bank Ltd.				
- Weasis Construction	Feb 19,'90	Apr 09, '90	Mar 19, '90	21 Days
- Ahmedia Bastralaya	Jan 10,'90	Mar 03, '90	Feb 10, '90	21 Days
- Saiful Islam	Jun 09,'90	Aug 08, '90	Jul 09, '90	30 Days
Arab Bangladesh Bank Ltd.				
- M.Rahman & Co.	Sep 12,'89	Oct 25, '89	Oct 12,' 89	13 Days
Uttara Bank Ltd.				
- Krishi Bitan	Aug 19,'89	Dec 09, '89	Sep 19, '89	51 Days

ANNEXURE -IV

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II
PROJECT NO. 388-0060

STATEMENT SHOWING NON REPAYMENT OF CREDIT EVERY 90 DAYS

Name of the Participating Bank and Branch	Party	Remarks
National Bank Ltd. -Brahmanberia	M.M Haque	Credit $ 55,960 (Tk 2,000,000) sanctioned on Dec 13, 1990. Not adjusted till May 25, 1991.
-Bogura	Tyson Agro Services Limited.	Credit $ 41,970 (Tk 1,500,000) sanctioned Nov 18, 1989. Amount was last squared up on Nov 5, 1990.
Agrani Bank -D.I.T.	Mohd. Safi	Credit $ 69,950 (Tk 2,500,000) sanctioned Nov 5, 1990. Not adjusted till May 20, 1991.
Sonali Bank -Banga Bandhu	Moma Traders	Credit $ 11,192 (Tk 400,000) sanctioned Dec 30, 1989. Not adjusted till Dec 31, 1990.
Rupali Bank Ltd -Jahangirabad Senaniwas	Weasis Construction	Credit $ 2,798 (Tk 100,000) sanctioned Apr 9, 1990. Not adjusted till May 25, 1991.
-Narayanganj	Saiful Islam	Credit $ 139,899 (Tk.5,000,000) sanctioned Aug 8, 1990. Not adjusted till Dec 31, 1990.
Uttara Bank Ltd. -Bogura	Krishi Bitan	Credit $ 55,960 (Tk 2,000,000) sanctioned Dec 9, 1989. Party had earlier squared his Account on Aug 18, 1990. Thereafter Account not adjusted till May 25, 1991

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II PROJECT NO. 388-0060

STATEMENT SHOWING NON REPAYMENT OF CREDIT EVERY 90 DAYS

Name of the Participating Bank and Branch	Party	Remarks
Al Baraka Bank Bangladesh Ltd. -Principal Office	South Asia Shipping Ltd.	Credit $ 419,698 (Tk 15,000,000) sanctioned Nov 14, 1989. Not adjusted till May 31, 1991.
-V.I.P Road	Janata Shipping Lines Ltd.	Credit $ 279,799 (Tk.10,000,000) sanctioned Dec 30, 1989. Not adjusted till May 31, 1991.
-V.I.P. Road	Sabuj Krishi Farm	Credit $ 19,586 (Tk. 700,000) sanctioned Jan 27, 1990. Not adjusted till May 31, 1991.

ANNEXURE - V

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II
PROJECT NO.388-0060

STATEMENT SHOWING DELAYS IN DISBURSEMENT OF REFINANCE BY BANGLADESH BANK

Name of the Participating Bank	CLAIM TO BCD AND APPROVAL			AMOUNT APPROVED	DISBURSEMENT			DELAY
	PB Letter Date	BCD Receipt Date (Tk)	BCD Approval Date	US$	PB Letter Date	AD Letter Date	AD Payment Date	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(II-VIII)
Rupali Bank Ltd	Dec 28, '89	----	Jan 09, '90 (4,616,000)	129,155	Feb 14, '90	Feb 14, '90	Feb 17, '90	52 Days
	Apr 03, '90	----	May 06, '90 (16,668,993)	466,396	May 09, '90	May 09, '90	May 10, '90	37 Days
Janata Bank	Feb 15, '90	----	Apr 18, '90 (36,741,000)	1,028,008	Apr 19, '90	----	Apr 19, '90	63 Days
United Commercial Bank Ltd	Mar 31, '90	----	May 06, '90 (15,450,000)	432,289	May 10, '90	May 10, '90	May 12, '90	42 Days
Sonali Bank	Apr 09, '90	----	Apr 22, '90 (9,825,000)	274,902	May 15, '90	----	May 19, '90	40 Days
	Aug 08, '90		Sep 06, '90 (1,225,000)	34,275	Oct 13, '90		Oct 17, '90	70 Days
Arab Bangladesh Bank Ltd	Aug 10, '89	Aug 10, '89	Aug 22, '89 (1,700,000)	47,566	Sep 02, '89	Sep 02, '89	Sep 05, '89	26 Days
	Sep 18, '89	Sep 19, '89	Oct 02, '89 (500,000)	13,990	Oct 15, '89	Oct 22, '89	Oct 26, '89	38 Days
	Oct 04, '89	Oct 07, '89	Oct 22, '89 (10,000,000)	279,799	Nov 15, '89	Nov 19, '89	Nov 20, '89	47 Days
	Apr 03, '90	----	May 06, '90 (10,000,000)	279,799	May 12, '90	May 13, '90	May 14, '90	41 Days
	Oct 20, '90	----	Dec 23, '90 (21,800,000)	609,961	Dec 27, '90	----	Dec 29, '90	70 Days
National Bank Ltd	Oct 07, '89	----	Oct 18, '89 (8,535,000)	238,808	Oct 22, '89	Oct 22, '89	Oct 22, '89	15 Days
	Apr 12, '90	----	Apr 25, '90 (9,560,000)	267,487	Apr 25, '90	Apr 29, '90	May 02, '90	20 Days
	Jul 14, '90	----	Aug 18, '90 (1,300,000)	36,374	Sep 09, '90	----	Sep 10, '90	58 Days
	Sep 10, '90	----	Sep 24, '90 (20,200,000)	565,193	Sep 24, '90	Sep 24, '90	Sep 26, '90	16 Days
	Oct 04, '90	----	Oct 18, '90 (23,560,000)	659,205	Oct 20, '90	Oct 20, '90	Oct 20, '90	16 Days
Agrani Bank	Mar 31, '90	----	Jul 25, '90 (5,971,000)	167,068	Oct 09, '90	----	Oct 10, '90	193 Days

KEY: PB = PARTICIPATING BANK
BCD = BANKING CONTROL DEPARTMENT OF BB
AD = ACCOUNTS DEPARTMENT OF BB
BB = BANGLADESH BANK

ANNEXURE - VI

COMMERCIAL CREDIT PROGRAM OPERATED BY BANGLADESH BANK

UNDER THE FERTILIZER DISTRIBUTION IMPROVEMENT II
PROJECT NO.388-0060

STATEMENT SHOWING DELAYS IN RECEIPT OF STATUS REPORTS BY BB

Name of the Participating Bank	Period	Due Date	Received on	Delay	Remarks
(1) Agrani Bank	Oct 01, '90 to Oct 31, '90	Nov 07, '9	Jan 23, '91	77 Days	Before Oct 19, '90 the Bank did
	Nov 01, '90 to Nov 30, '90	Dec 07, '90	Jan 23, '91	47 Days	not send any status report.
	Dec 01, '90 to Dec 31, '90	Jan 07, '91	Feb 05, '91	29 Days	
(2) Pubali Bank Ltd.	Oct 01, '90 to Oct 31, '90	Nov 07, '90	Feb 02, '91	87 Days	
	Nov 01, '90 to Nov 30, '90	Dec 07, '90	-Do-	57 Days	-Do-
	Dec 01, '90 to Dec 31, '90	Jan 07, '91	-Do-	26 Days	
(3) National Bank Ltd	Sep 01, '90 to Sep 30, '90	Oct 07, '90	Oct 28, '90	21 Days	The Bank sent only one status
	Oct 01, '90 to Oct 31, '90	Nov 07, '90	Dec 12, '90	35 Days	report in Sep'89. Since then
	Nov 01, '90 to Nov 30, '90	Dec 07, '90	Dec 12, '90	05 Days	reports have been sent only from
	Dec 01, '90 to Dec 31, '90	Jan 07, '91	Feb 25, '91	49 Days	Sep'90 onwards.
(4) Rupali Bank Ltd	Dec 01, '90 to Dec 31, '90	Jan 07, '91	Feb 17, '91	41 Days	
(5) Al Baraka Bank Bangladesh Ltd.	Oct. 01, '90 to Oct 31, '90	Nov 07, '90	Nov 14, '90	07 Days	Before Oct'90 the Bank did not
	Nov 01, '90 to Nov 30, '90	Dec 07, '90	Dec 29, '90	22 Days	send any status reports.
	Dec 01, '90 to Dec 31, '90	Jan 07, '91	Jan 17, '91	10 Days	
(6) Sonali Bank Ltd.	Sep 01, '90 to Sep 30, '90	Oct 07, '90	Oct 30, '90	23 Days	Status reports available from
	Oct 01, '90 to Oct 31, '90	Nov 07, '90	Dec 22, '90	45 Days	Sep'90 only. No Status report
	Nov 01, '90 to Nov 30, '90	Dec 07, '90	Dec 31, '90	24 Days	available for Dec'90.
(7) Janata Bank	Sep 01, '90 to Sep 30, '90	Oct 07, '90	Nov 05, '90	29 Days	Status reports available from
	Oct 01, '90 to Oct 31, '90	Nov 07, '90	Dec 10, '90	33 Days	Sep'90 only.
	Nov 01, '90 to Nov 30, '90	Dec 07, '90	Dec 24, '90	17 Days	
	Dec 01, '90 to Dec 31, '90	Jan 07, '91	Jan 20, '91	13 Days	

Note: No status reports were sent to Bangladesh Bank by Arab Bangladesh Bank Ltd. till December 1990; reports have only started coming from January 1991.

APPENDIX 1

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