

Office of the Comptroller and Auditor General, Bangladesh



CAG NEWS

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CAG's Note

A significant milestone achieved during the last six months of 2012 is initiating the process of forming public-private partnership in audit capacity building. The time has come to shift our gears, enhance our competencies, sharpen skills and change the ways we do our work. As a result of increasing importance of public financial management and better understanding and practices of the principles of modern financial management, a Memorandum of Understanding (MoU) was signed between the Office of the Comptroller and Auditor General (OCAG) and the Institute of Chartered Accountants of Bangladesh (ICAB). The momentous event is intended to inspire and strengthen the endeavours to make public financial management more effective and efficient, ensuring transparent audit reporting according to globally accepted accounting and auditing standards based on their relevance to all the parties.

The OCAG and the Commission on Audit (COA), Philippines also signed a protocol on behalf of respective Supreme Audit Institutions (SAI) of the two countries. The bilateral agreement intends to reinforce mutual exchange and cooperation in the field of public audit between the two SAIs. The MoU incorporates provisions for mutual exchange of experience, information and documentation, training activities, visits, organising internships, consultations, seminars and conferences. This will go a long way in consolidating the relationship between the two SAIs to the mutual benefit of both.

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- OCAG, Bangladesh signs Memorandum of Understanding (MoU) with Commission on Audit (COA), Philippines
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CAG Apprises Honourable Prime Minister of Audit Reports

Honourable Prime Minister Sheikh Hasina emphasised on enhancing the effectiveness of audit to maintain financial discipline and minimising wastage of public resources of the country. She mentioned these while CAG Ahmed Ataul Hakeem apprised her of 41 audit reports for the fiscal years 2008-09 to 2010-2011 at her office on December 23, 2012. These reports include 605 audit observations involving Tk. 48,110 million relating to 22 ministries. The audit reports will be submitted to the Honourable President for causing them to be laid before the parliament.



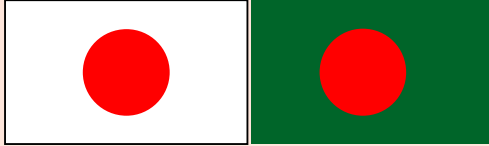
CAG apprising Honourable Prime Minister of audit reports on December 23, 2012

The Honourable Prime Minister stressed on implementing advanced auditing approaches and techniques to ensure transparency and accountability in public financial management. CAG informed the Honourable Prime Minister that the present Public Accounts Committee (PAC) of the parliament alone realised about Tk. 80,000 million in recovery and adjustment this year. The CAG further mentioned that initiatives have been taken at OCAG for bringing in qualitative changes in the audit process so that maximum utilisation of public money could be ensured.

OCAG and Japan Board of Audit to Work Together

The Office of the Comptroller and Auditor General of Bangladesh (OCAG) and the Japan Board of Audit will work together to develop professionalism among audit personnel of respective SAIs.

To achieve the target some decisions were taken in presence of CAG Ahmed Ataul Hakeem and the President, Board of Audit of Japan Hiroyuki Shigematsu on September 16, 2012 in a bilateral meeting at the OCAG. The President, Board of Audit of Japan led a four member delegation that arrived in Dhaka as part of a two-day official tour to Bangladesh.



The ASOSAI (Asian Organisation of Supreme Audit Institutions) training activities, election for the INTOSAI (International Organisation of Supreme Audit Institutions) Governing Board, ASOSAI Governing Board meeting to be held in February 2013 in Philippine, development of public accounting and audit in Bangladesh were the key discussion points of the meeting.



President, Japan Board of Audit Hiroyuki Shigematsu with OAG officials at the Audit Bhaban on September 16, 2012

President, Board of Audit of Japan was impressed with the contribution of OAG Bangladesh at INTOSAI and ASOSAI to develop the standards of audit.

Senior officials of OAG Bangladesh and members of delegation Japan Board of Audit attended the meeting. The visiting Japanese envoy also planted a sapling at the Audit Bhaban premises.

Earlier, President, Board of Audit of Japan Hiroyuki Shigematsu visited the Financial Management Academy (FIMA) on September 15, 2012 to observe the infrastructure and related facilities. The delegation stressed on the importance of quality training for audit personnel during their visit to FIMA. Senior officials of OAG Bangladesh were also present during the programme.



INTOSAI Capacity Building Committee (CBC) Meeting

The INTOSAI CBC Sub-committee 3 meeting was held at the European Court of Auditors (ECA) in Luxemburg on 10-11 September 2012. The meeting was chaired by the Supreme Audit Office of Germany.

The meeting was attended by participants from 12 SAIs representing Bangladesh, Croatia, Estonia, European Court of Auditors, France, Morocco, Austria, Poland, Slovakia, Hungary and the

United States of America. CAG Ahmed Ataul Hakeem led a two member delegation from SAI Bangladesh including Tanveer Akter Hossain Khan, Deputy Director, Local and Revenue Audit Directorate.

Subcommittee 3 of INTOSAI's Capacity Building Committee (CBC) promotes best practices and quality assurance through voluntary peer reviews. Accordingly, 24 peer review projects have been successfully completed since 1999. More than 30 SAIs have participated in at least one peer review, either as the reviewed or reviewing SAI. Currently, five INTOSAI members are being reviewed by peers. In order to support interested SAIs, INTOSAI Sub-Committee 3 prepared a Peer Review Guide and Checklist.



CAG Ahmed Ataul Hakeem with the President of the European Court of Auditors Vitor Manuel da Silva Caldeira on September 11, 2012 in Luxemburg

The following decisions were finalised during the meeting:

- review and update the checklist along with Peer Review Guidelines
- Four development Partners: OECD, Sigma, OLACEFS and IDI have demonstrated their experience in the field of peer review
- Review process would start after completion of online survey - detailed questionnaire are required to be sent to different SAIs
- update the CBC Website
- develop other guides/ handbooks/templates regarding peer review
- harmonise among the different quality assurance tools.
- Finalise all these jobs within or before 2016.

CAG Visits OAG, New Zealand and COA, Philippines

CAG visited the Office of the Controller and Auditor General (OAG), New Zealand during July 23-24, 2012. The CAG was welcomed and received by the Controller and Auditor-General Ms. Lyn Provost. The discussion covered matters relating to mutual interest and cooperation. A presentation was also delivered on the following topics:

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- The Office of the Auditor General - an introduction
- Role and functions of the Auditor General
- Application of accrual based accounting in New Zealand
- Financial audit
- Quality assurance
- Performance audit
- Human resource management
- Auditing in an IT environment and IT audit

Prior to the visit, the delegation visited the Commission on Audit (COA), Republic of the Philippines during July 18-21. The visit included a tour of the facilities available at the Professional Development Centre, COA. Presentations relating to training programmes on Integrated Results and Risk Based Audit (IRRBA) (financial and compliance audit, performance audit, fraud audit and Information Systems audit) were covered during the visit.

An exclusive meeting with the COA Chairperson Madam Gracia M. Pulido Tan also covered matters relating to mutual cooperation. Others present during the meeting were Commissioner Juanito G. Espino, Jr and Commissioner Heidi L. Mendoza.



OCAG delegates with the Chairperson, Commission on Audit, Philippines Madam Gracia M. Pulido Tan in Manila on July 18, 2012

OCAG was accompanied by A.K.M. Jashim Uddin, Director General, Commercial Audit Directorate and Niaz Rahman, Director (MIS), OCAG. CIDA funded Strengthening Comptrollership and Oversight of Public Expenditure (SCOPE) project organised the visit.

OCAG Bangladesh Delegation to NAO, UK and US GAO

OCAG Bangladesh delegation visited the National Audit Office (NAO), UK and the United States Government Accountability Office (GAO) during November 26, 2012-December 5, 2012. The visit to NAO, UK and GAO was arranged by the SPEMP-B Project.

During visit to NAO, UK (November 26-30, 2012), the delegation met the Comptroller and Auditor General and other high officials. The

visit discussed and exchanged views of mutual interest in relation to public audit. The CAG was welcomed and received by the Comptroller and Auditor-General Amyas Morse. A presentation covering the following topics was also arranged for the delegates:

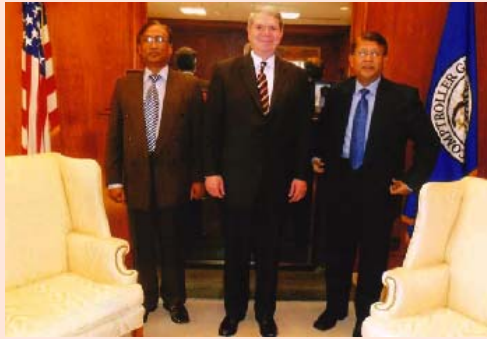
- An introduction to the NAO
- How NAO is organised
- Key developments in financial auditing - managing to international standards and quality control
- Value for money auditing - managing quality and delivery to time and cost
- Managing in the NAO - the role of AAGs and Directors
- Organisational integrity - governance, leadership, audit committee and relationships between external and internal audit
- Strategic planning and budgeting for the NAO
- Managing Information Technology (IT)
- Reward and remuneration
- Recruitment
- Leadership and development
- Managing trainees
- Working with the media - external communications
- Strategic communications and stakeholder relations
- Knowledge management - internal electronic communication and the intranet
- Working with the parliament and follow-up of audits

The delegation included Mohammad Abul Kashem, Director General, Financial Management Academy (FIMA), Manindra Chandra Datta, Deputy CAG (A&R); Mohammad Zakir Hossain, Project Director, Strengthening Public Expenditure Management Programme (SPEMP-B); S.M. Rezvi, Adl. Deputy CAG, Mahbuba Khatun Minu, Asstt. CAG; Tanzila Chowdhury, Deputy Director, Railway Audit Directorate and Mohamamd Jamil Ahmad, Deputy Director, FIMA.



CAG with Amyas Morse, Comptroller and Auditor General, National Audit Office (NAO), UK in London on November 25-30, 2012

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CAG Bangladesh with Gene L. Dodaro, Comptroller General of the United States at the Government Accountability Office (GAO) in Washington DC on December 3, 2012

On return to Bangladesh, CAG visited the United States Government Accountability Office (GAO) on December 3, 2012. The knowledge sharing visit to GAO included discussion with Gene L. Dodaro, Comptroller General of the United States on December 3, 2012. Presentations were made on the audit approaches, planning and audit techniques in the field of IT audit, performance audit and financial audit prevalent at GAO. The audit reporting process in the GAO and relationship with the legislature, media and other stakeholders was also covered. Mohammad Abul Kashem, Director General, Financial Management Academy (FIMA) accompanied the CAG.

OCAG Media Hand Book and Communication Strategies Launched



OCAG 'Media Handbook' and 'Communication Strategies and Terms of Reference for the Communication Cell' was launched in July 2012. The handbook and strategies were developed by the CIDA funded Strengthening Comptrollership and Oversight of Public Expenditure (SCOPE) Project. The Media Handbook will go a long way to fill the gap that currently exists among auditors, spokespersons and the media. The handbook provides guidelines for auditors and spokespersons for developing better media relations. On the other hand, the communications strategy is intended to enhance internal communications within the OCAG.

OCAG Stall at Right to Know Day, 2012 Fair

In observance of the Right to Know Day, 2012 OCAG participated in a fair organised by the RTI Forum on September 27, 2012 at the Bangladesh Shishu Academy Auditorium, Dhaka. The day long

programme included various events that ensured the participation of mass people in practicing their right to information.

Major attractions of the day long programme were: seminars, open discussions, RTI fair and cultural programmes. Twenty one government and non-government RTI practicing organisations including the OCAG participated in the programme.

The OCAG stall displayed various audit reports and publications of the OCAG.



IDI certificates for the E-RBAFA Participants of OCAG Bangladesh

As part of the E-learning course on Risk Based Approach to Financial Audit (E-RBAFA), four officials of OCAG Bangladesh were awarded the IDI (INTOSAI Development Initiative) - United Nations Institute for Training and Research (UNITAR) E-learning course completion certificate. The officers are

- Mossamat Maksuda Begum Deputy Director, Commercial Audit Directorate
- Ms. Ronak Sufia Afsara Rahman Deputy Director, Local and Revenue Audit Directorate
- A.K.M. Hasibur Rahman Deputy Director, Commercial Audit Directorate
- Md. Abdul Wadud, Deputy Director, Defence Audit Directorate

The e-learning course was launched by the IDI in cooperation with UNITAR. The objective was to enhance awareness of ISSAIs pertaining to financial audit as well as to provide training to financial auditors in using tools for adopting a risk-based approach to financial audit. The programme was delivered through e-learning via the internet, using the e-learning platform of the UNITAR. The programme was for six weeks of duration scheduled April 16-May 25, 2012.

Certificates were awarded to respective officers by the Hon'ble CAG on August 28, 2012 at the OCAG conference room.

Dhaka University Interns at OCAG

A group of five MBA interns of the Department of Accounting and Information systems, Dhaka University went through a three months internship programme at the Office of the Comptroller and Auditor General of Bangladesh. The duration of the programme was for three months commencing from October 7, 2012.

The internship programme included attachments to different audit directorates, Office of the Controller General of Accounts, (CGA) Financial Management Academy (FIMA), Controller General Defence Finance (CGDF) and Additional Director General (Finance), Bangladesh Railway.

Public Accounts Committee (PAC) Meetings, July-December, 2012

Public Accounts Committee

No.	Meeting Date	Discussed audit reports	Audit Directorate
1.	97th meeting July 22, 2012	Internal Resources Division, Ministry of Finance Special Audit Report on the accounts of Large Taxpayers Unit (LTU) for the year 2006-2007	Local and Revenue Audit
2.	98th Meeting July 23, 2012	Bangabandhu Sheikh Mujibur Rahman Medical University and Hospital, Ministry of Health and Family Welfare Special Audit Report on Bangabandhu Sheikh Mujibur Rahman Medical University and Hospital for the year 1998-1999 to 2005-2006	Local and Revenue Audit
3.	99th Meeting August 13, 2012	Ministry of Health and Family Welfare Appropriation Accounts (Civil) - Development and Non-Development 2005-2006 - Portion relating to Ministry of Health and Family Welfare	Civil Audit
4.	100th Meeting August 14, 2012	Finance Accounts for the year 2005-2006 - receipts, Expenditure and loan and advances	Civil Audit
5.	101th Meeting September 6, 2012	Public works Department, Ministry of Housing and Public Works Audit Report on the Public Works Department Wood Factory for the year 1994-2004	Works Audit
6.	102nd Meeting September 10, 2012	Finance Division, Ministry of Finance Audit Report on Cash Incentives and Export Subsidy against Export Agencies by 16 branches of 9 Commercial Banks under Bangladesh Bank for the year 2005-2007	Local and Revenue Audit
7.	103rd Meeting	3rd report of the Public Accounts Committee (PAC)	
8.	104th Meeting December 23, 2012	(1) Finance Division, Ministry of Finance (presently Banking and Financial Institutions Division) Audit report on Nationalized Commercial Banks and Financial Institutions for the year 2007-2008 (2) Review on recommendation implementation of tripartite meetings on Audit Reports for the year 1971-72 to 2005	Commercial Audit Local and Revenue Audit Posts, Telegraph and Telephone Audit Defence Audit, Railway Audit, Mission Audit, Civil Audit Foreign Aided Projects Audit

PAC Sub-committee 1

No.	Meeting Date	Discussed audit reports	Audit Directorate
1.	33rd Meeting July 11, 2012	Roads and Highways Department, Ministry of Communications (1) Audit Report on the accounts of Foreign Aided Projects under the Roads and Highways Department for the 1996-1997 (2) Audit Report on the accounts of Executive Engineer, Roads Division, Pirojpur and Barisal under the Roads and Highways Department for the year 1997-1998 and 1998-1999	Foreign Aided Projects Audit Works Audit
2.	34th Meeting July 25, 2012	Bangladesh Post Office, Ministry of Posts and Telegraph (1) Special Audit Report on Dhaka GPO Pension Payment for the year 1995-1999 (2) Special audit report on Postal Savings Bank under the Bangladesh Post Office for the year 1994-1995 to 1999-2000	Posts, Telegraph and telephone Audit
3.	35th Meeting August 5, 2012	Ministry of Shipping (1) Audit Report on the accounts of 4 offices under the Ministry of Shipping for the year 1996-1997 (2) Audit report on the accounts of Foreign Aided Projects under 25 Ministries/Agencies (Ministry of Shipping) for the year 1995-1996	Local and Revenue Audit
4.	36th Meeting November 4, 2012	Bangladesh Railways, Ministry of Railways (1) Special Audit report on local and foreign purchases, sales and distribution management of the Railway Stores Division for the year 1995-1996 (2) Audit Report on the accounts of Bangladesh Railway for the year 1997-1998	Railway Audit

PAC Sub-committee 4			
No.	Meeting Date	Discussed audit reports	Audit Directorate
1.	52nd Meeting July 31, 2012	Ministry of Communications Follow-up on the 42nd Meeting held on January 3, 2012 on Audit Report on Bangladesh Road Transport Corporation for the year 2005-2006	Commercial Audit Directorate
2.	53rd Meeting August 7, 2012	Power Division, Ministry of Power, Energy and Mineral Resources (1) Audit Report on the accounts of Bangladesh Power Development Board (PDB) and Dhaka Electric Supply Authority (DESA) for the year 2002-2003 (2) Follow-up on the 46th Meeting held on March 13, 2012 on Audit Report on the accounts of Ministry of Power, Energy and Mineral Resources for the year 2003-2004	Works Audit Foreign Aided Projects Audit
3.	54th Meeting September 26, 2012	Ministry of Housing and Public Works Banking and Financial Institution Division, Ministry of Finance Follow-up on the 36th Meeting held on May 26, 2011 on Audit Report on the accounts of Ministry of Housing and Public Works and 44nd meeting held on January 16, 2012 on Audit Report on the accounts of Banking and Financial Institution Division, Ministry of Finance	Commercial Audit Works Audit
4.	55th Meeting October 2, 2012	Ministry of Communications Follow-up on the 33rd Meeting held on February 17, 2011 on Audit Report on the accounts of 31 Executive Engineer Offices of the Road and Highways Department	Works audit
5.	56th Meeting October 9, 2012	Roads and Highways Department, Ministry of Communication Follow-up on the 55th Meeting held on October 2, 2012 on Audit Report on 31 Executive Engineer Offices of the Roads and Highways Department	Works Audit
6.	57th Meeting December 11, 2012	Internal Resource Division (IRD), Ministry of Finance Follow-up on the 48th Meeting held on April 16, 2012	Local and Revenue Audit
7.	58th Meeting December 13, 2012	Roads and Highways Department, Ministry of Communication Follow-up on the 52nd, 55th and 56th Meeting held on July 31, 2012, October 2, 2012 and October 9, 2012 on Audit Report on 31 Executive Engineer Offices of the Roads and Highways Department	Works Audit

OCAG Senior Management Retreat

SCOPE

OCAG Senior Management Retreat was held at the Centre for Development Management (CDM), BRAC, Savar on November 12-14, 2012. The inaugural session was addressed by Mohammad Zakir Hossain, Project Director, SPEMP-B with CAG in the chair. John Fielding and Scott Mine presented an overview of the SPEMP-B Project. The discussions during the retreat covered:

- Overview of audit types
- Allocation of audit types to each round of pilot audits and number of required auditors
- Demonstration of TeamMate
- Criteria for selection of specific audits
- Criteria for selection of pilot audit
- Audits to be conducted and team members
- Demonstration of Interactive Data Extraction and analysis (IDEA)
- Logistic matters for pilot audit teams

In his concluding remarks, CAG stressed on addressing the real needs of the department. He hoped that the project would take note of the comments made by the OCAG officials to finalise the pilot audits.

SPEMP Communication Campaign



The World Bank administered multi-donor funded 'Strengthening Public Expenditure Management Communication Campaign

Programme' (SPEMP CC) has been providing comprehensive communication support to the SPEMP-B project. The accomplished activities include - press advertisements, TV talk shows, university debate competitions, street theatre shows, banners, posters, stickers, nationwide SMS campaign, radio campaigns, documentary film, workshops and focus group discussions.



Recipients of Overseas Training

Two groups of SAI Bangladesh officials participated in the two weeks 'Public Sector Auditing' course held in Kuala Lumpur from 3-15 September, 2012 and 19-30 November, 2012 respectively. Funded by the CIDA funded Strengthening Comptrollership and Oversight of Public Expenditure (SCOPE) Project, the training was arranged by the National Audit Department, Malaysia at the National Audit Academy. A total of 30 officials received the training in two batches. Earlier, the first batch comprising of 15 officers attended the course from 16-27 April, 2012.



Participating officials in the 'Public Sector Auditing' course held in Kuala Lumpur from 3-15 September, 2012 and 19-30 November, 2012

Apart from the 'Public Sector Auditing' course at the National Audit Academy, Malaysia, following officials were sent abroad to attend training courses, workshops and seminars during July-December, 2012. Two IDI Certified training specialists of SAI Bangladesh also successfully involved themselves in the course design and development of various courses and demonstrated their commitment and professionalism.

Participant	Course	Country and Duration
Md. Motahar Hussain Controller General Defence Finance Mohammad Moslem Uddin Director General, Works Audit Directorate Ms. Rownak Taslima Deputy Director, Works Audit Directorate	Review Meeting for SAI Needs Assessment and Strategic Planning Workshop as Team Leader	Mongolia 30 August to 6 September 2012
Mohammad Emrul Kayes Khan Deputy Financial Advisor and Chief Accounts Officer Bangladesh Railway Md. Abul Hafaz Deputy Director, Civil Audit Directorate	Audit of Public Sector Enterprises	India 10 September to 5 October 2012
K M Serajul Munir Director Works Audit Directorate Md. Zakir Hussain Assistant Comptroller and Auditor General	10th ASOSAI Research Project on 'Audit to Detect Fraud and Corruption: Evaluation of the Fight Against Corruption and Money Laundering'	China November 15, 2012
Mohammad Moslem Uddin , Controller General of Accounts - Team Member Ms. Rownak Taslima Deputy Director, Works Audit Directorate	Strategic Plan Review Meeting and Operational Planning Workshop	Phnom Penh, Cambodia 17-21 December 2012
Syed Mustafa Mahub Ali Area Finance Controller (Army)	ASOSAI Workshop on Dealing with Fraud and Corruption	Manila, Philippines 9-18 November 2012
Ms. Farmeen Mowla Director, Performance Audit Directorate Bikash C. Mitra Director, Financial Management Academy	Instructor, ASOSAI Workshop on Dealing with Fraud and Corruption	Manila, Philippines 9-18 November 2012
Ms. Farmeen Mowla Director, Performance Audit Directorate Bikash Chandra Mitra Director, Financial Management Academy	Instructors' Design Meeting for the ASOSAI Workshop on "Dealing with Fraud and Corruption"	Japan 1-13 July, 2012

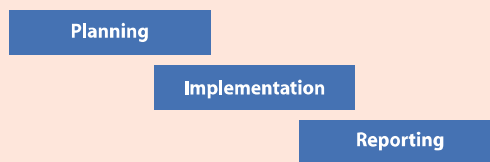
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PRESENTATIONS

Experience Sharing of Performance Audit Course

A presentation on 'Experience Sharing of Performance Audit Course' was held on July 9, 2012 at the OCAG conference room. The presentation was based on a training at the National Audit Academy, Malaysia. Muhammad Khademul Basher, Assistant Comptroller and Auditor General made the presentation. Important aspects of the presentation were as follows:

Performance Audit Process



Criteria For Selection of Audit Topics

- Overall estimated audit impact
- Financial materiality
- Risk to good management
- Complex and uncertain environment
- Significance of the programme to the entity's activities
- Visibility of the programme/activity
- Auditability

Selection Matrix

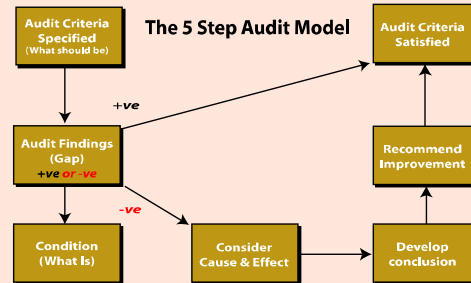
Selection factors
Overall estimated audit impact
Financial Materiality
Risk to Good management
Significance of the Programme to the activities of the Entity
Visibility of the Programme
Previous Audit Coverage and Internal and External Review of the Programme
Auditability

Planning the Audit

- Understanding the entity
- Identify key areas/lines of inquiry
- Define audit objectives and scope
- Derive audit criteria
- Define audit evidence
- Develop audit approach and audit programme

Importance of Understanding Entity

- Objectives of the entity



- Systems in operation of entity
- Accountability relationship
- Resources and limitations
- Availability of information
- Identification of risk areas
- Key Issues for performance audit

Identifying Key Areas

To identify and select "Key Areas" or "Lines of Inquiry" using a systematic selection process based on (1) significance, (2) risk to management, (3) likely Impact of audit and (4) auditability

Defining Audit Objectives and Scope

- Audit objective is a precise statement of what the audit intends to accomplish. This may include financial, regularity or performance issues.
- Audit scope is the framework or limits and subjects of the audit

The Six-Step Approach of gathering Audit Evidence

- Clarifying audit objectives
- Formulate questions and audit criteria
- Determining what data will answer the questions
- Identifying appropriate sources and types of data
- Planning the collection of data
- Planning the analysis of data

Developing Preliminary Audit Conclusions

- Findings should respond to the audit objectives
- Conclusion for each audit objective based on evidence

Discussion with Management - Management's views on preliminary audit conclusions

Performance Audit Reporting

- Discussion papers
- Preliminary audit findings and conclusions
- Developing recommendations
- Exit conference
- Proposed/draft report
- Final report

Follow-up Activities

Performance Auditing - Challenges and Opportunities

A presentation on 'Performance Auditing - Challenges and opportunities' was held on July 9, 2012 at the OCAG conference Room. The presentation was based on the participation at the regional seminar held in Bhutan during 5-6 June, 2012. Mohammed Iqbal Hossain, Deputy CAG, Zeenat Khan, Director General, Performance Audit Directorate and Md. Kamrul Alam, Deputy Director, PT&T Audit Directorate delivered the presentation. Important aspects of the presentation are as follows:

Presentation Outline

- PA practices in Afghanistan, Maldives, Nepal, Bangladesh and Pakistan
- Procurement audit, construction audit and environmental audit
- Media and Communication
- Ensuring quality
- Summary of best practices
- Recommendations

Afghanistan

- Centralised audit structure with limited personnel - 225 auditors conduct audit of 900 audit entities
- New audit law to include performance audit
- Audit procedures and guidelines not fully developed
- Conducted few performance audit
 - Audit of movable schools in Kabul
 - Audit of distribution of medicine and equipment to provinces
 - Audit of technical and vocational education

Bangladesh

- Functional Independence ensured in the Constitution (Article 128)
- Performance Audit Manual
- Organisation structure including Performance Audit Directorate
- Capacity building initiatives
- Challenges : Shortage of manpower/experts, lack of expertise, difficulty in measuring Key Performance indicators (KPIs), absence of performance management system in agencies
- Opportunities : Legislatures/civil society interest, donor assistance, KPIs in ministries
- Future Plans (training, audits, TOT manuals, Quality Assurance Policy/Handbook based on IDI guidelines, internal and external Quality Assurance Review (Peer Review), IT Support/Use of CAATs)

Nepal

- OAG Nepal established in 1969
- Audit Mandate: Article 122 of the Interim Constitution (2007) and Audit Act (1991) Manpower strength: 464, Performance Audit Directorate: 24
- Topic Selection Matrix - Impact (30%), Materiality (20%), Risk (20%), Visibility (30%)
- 30 topic selected in FY 2011/2012 (21 completed, 3 ongoing, 6 dropped)
- Observations based on 4Cs (Criteria, Condition, Cause, Consequence)
- Problems: manpower, low response/lack of cooperation, lack of awareness, inadequate Parliamentary attention, No KPIs/PI, No data recording system
- Future Plan: updating PA Guide, capacity development, create awareness, interaction between SAI and audit entities

Maldives

- Mandate: Audit Act (4/2007) and Constitution (Article 4)
- First Auditor General appointed in January 2008
- Audit work based on three-year Strategic Audit Plan (SAP)
- Annual priorities laid down in an Annual Audit Plan
- Reports submitted to Parliament with copies to President and other executive entities
- Challenges - performance management systems and non-financial data

Pakistan

- Mandate: Constitutional mandate enhanced in 2011
- More than 4000 staff - multidisciplinary
- Performance Audit wing established in 1981
- Quality Management Framework, September 2010 (revised in August 2011)
- Handbook of Quality Controls in performance audit (December 2011)
- Performance Audit Manual (February 2012)
- Quality Control Review (QCR) based on Quality Management Framework (QMF)
- Grading of audit reports by the Audit Wing
- Quality Assurance Mechanism (QAM)

Performance Audit Mandate - India

- Constitutional Provisions: Article 149 of the Constitution - Duties and Powers of the Comptroller and Auditor General

- CAG (Duties, Powers and Conditions of Service) Act, 1971
- In pursuance of Section 23 of the CAG (Duties, Powers and Conditions of Service) Act, 1971, explicit provisions, mandate, procedures, etc. incorporated in 'Regulations on Audit and Accounts, 2007' (Chapter 7)

Performance Audit Mandate - GAO

- The General Accounting Office was established in 1921. In 2004, the name was changed to Government Accountability Office (GAO)
- Broad mandate to investigate "all matters relating to the receipt, disbursement, and application of public funds" and to "make recommendations looking to greater economy or efficiency in public expenditures."
- GAO performance audits are conducted in accordance with Government Auditing Standards, revised in 2007
- Concerns were addressed in the National Audit Act 1983

Royal Audit Authority (RAA), Bhutan

- Explicit Mandate for performance audit is enshrined in Audit Act of Bhutan, 2006.
- It shall be the duty of the Authority to promote economy, efficiency and effectiveness in the use of public resources through its reports and recommendations
- Performance Audit Guidelines of 2005 was updated and revised PA Guidelines issued in October 2011

Office of the Auditor General Nepal

- The third amendment to the Constitution of Nepal, 1962 in 1980 provides for 3 Es audit (vide Article 76)
- Article 100(1) of the Constitution, 1990 reiterates the authority of AG for 3 Es Audit
- Audit Act, 1991;
 - Section 3 - mandate for determining the audit scope, process and duration.
 - Section 4 and 5 - provisions for 3 Es
- Comprehensive PA Guide issued in 2000

Specialised Performance Audit

- Procurement Audit - SAI Bhutan perspective
- Construction Audit - SAI Bhutan perspective
- Environmental Audit - SAI India perspective

Procurement Audit Objectives

- Economy, efficiency and effectiveness
- Approved budget appropriations
- Right quality and quantity
- Right price and right time
- Transparent and fair manner
- Proper system of accountability
- Effective inventory control system

Auditing Procurement Process

Pre-Planning Activities

- Determination of the availability of time and staff
- Technical competency of the team
- Screening and assessment of ethical issues
- Preparation for audit engagements-audit intimation and audit engagement letter
- Audit entry conference

Planning

- Understanding the procurement process
- Assessing the internal controls
- Audit planning and programming

Execution

Audit techniques applied;

- Physical verification
- Physical inventory
- Verification of available evidence
- Review of the work of book keeping
- Examination of source of documents
- Examination of accounts

- Conducting Inquiries
- Examination of subsidiary accounts
- Establishing correlation between various factors
- Analysis of financial statements
- Performing analytical procedures
- Evaluation of results
- Documentation of the working papers/audit evidence

Completion and Reporting

- Issue of audit findings
- Receive replies to the audit findings
- Conduct audit exit meeting
- Fixing of accountabilities
- Draft report
- Review at Division, Department and Quality Assurance
- Issue of final audit report
- Follow-up within 3 months of issuance of audit report

Common Audit Observations/Findings

- Procurement without tender /quotation
- Improper constitution of tender committee
- Split/piece-meal purchases to avoid quotation
- Improper evaluation of bids
- Non-enforcement of contract terms and conditions
- Unusual deviation in Bill of Quantity (BOQ) and actual execution
- Non-obtaining of performance and other guarantees
- Non-inspection of items received
- Non/Improper assessment of requirements
- Unwarranted grant of time extensions
- Unjustified change of contract terms
- Goods lying idle/unused due technical drawbacks
- Procurement in the name of emergency
- Improper technical specification
- Defective drawings and designs
- Non revalidation of the performance security
- Inconsistency in the interpretation and application of Public Procurement Regulations (PRR)

Construction Audit

Objectives

- In-depth study of concept and feasibility
- Clearance and funding arrangement
- 3 E's and compliance to standards
- Followed Appropriate procedures
- Compliance to payment verification process
- Monitoring and supervision
- Quality, economical and efficient
- Achieved the objective

Construction Auditing Process

- Pre-planning
- Planning and programming
- Execution
- Completion and reporting

Observation Types

- Acceptance of defective works
- Deliberate manipulation of specification
- Use of materials other than specified
- Excess/irregular payment to contractors
- Unusual deviations in BOQ and actual execution
- Execution of sub-standard works
- Change of design and specification without approval
- Non-adjustment of mobilisation advance
- Defective drawings, design and specification
- Non-rectification of defective works
- Non/improper maintenance of Measurement Books (MBs)

1. Concept and Feasibility Studies

Possible Risks	<ul style="list-style-type: none"> ▪ Non-identification of risks ▪ Lack of analysis ▪ Non-obtaining of clearance ▪ Non-conduct of socio economic feasibility
Audit Objectives	<ul style="list-style-type: none"> ▪ Execute proper feasibility study
Audit Criteria	<ul style="list-style-type: none"> ▪ Determining the technical and engineering viability
Audit Procedure	<ul style="list-style-type: none"> ▪ Review detailed project report

2. Design and Drawings

Possible Risks	<ul style="list-style-type: none"> ▪ No/Improper preparation ▪ Incompetent officials
Audit Objectives	<ul style="list-style-type: none"> ▪ Standard design ▪ Approved by competent authority
Audit Criteria	<ul style="list-style-type: none"> ▪ Proper, standard and economical design ▪ Approved by competent officials
Audit Procedure	<ul style="list-style-type: none"> ▪ Approved design standards ▪ Competency of the approving officials

3. Construction Phase

Possible Risks	<ul style="list-style-type: none"> ▪ Non-submission of detailed work programme ▪ Inappropriate schedule of supervision ▪ Non-provision of quality assurance aspects ▪ Inappropriate formula applied
Audit Objectives	<ul style="list-style-type: none"> ▪ Design, drawings, work schedule, quality assurance plans ▪ Monitoring and supervision planned properly ▪ Variations are properly authorised
Audit Criteria	<ul style="list-style-type: none"> ▪ As per the designs, drawings and work programmes ▪ Inspection, supervision and monitoring of on-going works ▪ Quality controls for materials used
Audit Procedure	<ul style="list-style-type: none"> ▪ Conduct physical verification ▪ Observe progress and quality of works ▪ Test reports and specifications

4. Works Accounting

Possible Risks	<ul style="list-style-type: none"> ▪ Illegitimate payment made ▪ Payment for unexecuted works
Audit Objectives	<ul style="list-style-type: none"> ▪ Legitimate payment ▪ Procedure in accordance with rules
Audit Criteria	<ul style="list-style-type: none"> ▪ Verification by site engineer and accounts personnel
Audit Procedure	<ul style="list-style-type: none"> ▪ Quantification in bills and measurement mooks ▪ Rates in Bills and BOQ verified ▪ Adjustment of the advances

Environmental Audit

Objectives of Environmental Audit

- Environmental impact assessments
- Environmental monitoring
- Environmental review

Environmental Audit in SAI India

- Introduction of specialised guidelines (MSO (Audit) 2002) for environmental audits
- Regional Training Institute in Mumbai has been designated to impart training on environmental auditing
- More than 100 environmental audits (compliance and performance) carried out over the last 20 years

Examples of Environmental Audit

- Audit of air pollution/ vehicular emissions/Industry emissions in 23 States of India
- Ineffective pollution control in thermal power stations of Bihar State Electricity Board, 2005

- Arsenic alleviation programme in West Bengal, 2005
- Improper disposal of biomedical waste by medical establishments in West Bengal, 2001
- Audit of 'Conservation and protection of Tiger'
- Management of Forests in Delhi, 2001
- Environmental Management by Mumbai Port Trust, India
- Environment management system in thermal power stations Gujarat, 2005

Media and Communication

Better Communication - 7 C's of effective communication

- Completeness - convey all facts to the reader
- Conciseness - what you want to convey
- Consideration - stepping into the shoes of stakeholders
- Clarity - emphasis on a specific message or goal at a time
- Concreteness - being particular and clear
- Courtesy - should respect the stakeholders
- Correctness - is exact, correct and well-timed

Media framework of SAI India

- The media policy provides for interaction with the media through distribution of press briefs
- Holding of press conferences immediately after presenting audit reports in the Central Parliament/ State (Provincial) Legislatures
- All reports placed at CAG website/AG websites
- Press Conferences
- CAG gives interviews to the print and electronic media

Communication Policy Cell

- The media interface is managed by a Communication Policy Cell in the office of the CAG of India
- This cell coordinates press conferences, communicates with media representatives and develops practices and methodologies for implementing the media policy
- The SAI's Press Officer is known as the Media Adviser who works under the Director General, Communication Policy. The Media Advisor belongs to the Indian Information Service.

Ensuring quality

Quality Assurance : Based on ASOSAI-HDI QMS framework

ISSAI-200 General Standards 3 (Paragraph 1.25) states: "The SAI should adopt policies and procedures to review the efficiency and effectiveness of the SAI's internal standards and procedures."

QA is the process to ensure that

- o The SAI and its personnel have adhered to professional standards and applicable legal and statutory requirements
- o Necessary quality controls are in place
- o Quality controls are being properly implemented
- o Potential ways of strengthening or improving quality controls are identified.

Eight Key Domains in the SAI-QMS Framework

1. Independence and legal framework
2. Human resource
3. Audit standards, methodology and audit performance
4. Leadership and internal governance
5. Administrative support
6. Continuous improvement
7. External stakeholder relations
8. Results

Quality Assurance Review Process

Peer Review

- Quality Assurance Tool Peer Review Guideline, was adopted as ISSAI 5600 at the XX INCOSAI held in South Africa (2010)
- Reviews conducted by one or several partner SAIs

Performance Management

Why Performance Management

- Transitioning to performance based governance structure
 - o Focus is on result
 - o Civil servants are held accountable for the outcomes
 - o performance is measured based on results

Accountability mechanism in selected countries

- Performance Agreement in New Zealand, United States, United Kingdom and Malaysia
- In Canada, the Treasury Board negotiated formal three year Memorandum of Understanding (MoUs) with its departments to codify their accountability for results
- Result Framework Document (RFD) in India
- Philippines, Brazil, Singapore, Chile, Argentina and Costa Rica implemented performance evaluation mechanisms
- In Bangladesh MTBF is introduced as performance mechanism

Summary of Best Practices

- Independence
 - o Organisational, functional and financial Independence as per LIMA and MEXICO declaration to be guaranteed
 - o Performance audit mandate guaranteed by law
- Performance audit operation
 - o Separate function/division to ensure specialisation
 - o Selection criteria is formal and risk based
 - o Technical competency, ethical and independence of auditors are assessed during selection process
 - o Use of 4Cs are used for audit observations
- Quality Assurance
 - o Quality control ensures compliance with audit standards/practices on a regular basis
 - o Independent quality assurance function
 - o Quality Management Framework to be established (Quality Policy, Quality handbook)
- Independent Review
 - o Internal review by SAI itself
 - o Peer review by other SAIs
- Human Resources Development
 - o HRD policy
 - o Reward and punishment system
 - o Audit standards and guidelines based on ISSAIs and other international good practices (ISSAI 100 & 200)
- Media and Communication
 - o Audit reports are user friendly
 - o Interaction with media is sensitive
 - o Press conference based on facts mentioned in audit reports
 - o Use of technology for better communication of audit findings
- Performance measurement system
 - o Government departments introduce performance measurement and management system
 - o Agencies measure, report and evaluate success indicators (KPIs)
 - o Organisational structure established for monitoring and providing guidelines
 - o Performance agreement signed between executives and the ministers
 - o quality of performance measures monitored through regular audits by the Office of the Auditor General

Recommendations

- Establish a Quality Assurance Task Force (QATF)
- Quality policy and quality handbook to be prepared
- Update existing audit standards and guidelines based on ISSAIs and best practices
- Ethics committee to monitor ethical compliance
- Existence of performance audit directorate
- Focus should be on performance audit
- More professional qualifications should be offered
- Legal mandate to be strengthened

EVENTS

OCAG, Bangladesh signs MoU with COA, Philippines

The Comptroller and Auditor General (CAG) of Bangladesh Ahmed Ataul Hakeem, FCMA and Chairperson, Commission on Audit (COA), Philippines Madam Gracia M. Pulido Tan signed a protocol on behalf of respective Supreme Audit Institutions (SAI) of the two countries on September 3, 2012 at Ulan Baatar, Mongolia.

The bilateral agreement intends to reinforce mutual exchange and cooperation in the field of public audit between the two SAIs. The MoU incorporates provisions for mutual exchange of experience, information and documentation, training activities, visits, organising internships, consultations, seminars and conferences. This will go a long way in consolidating the relationship between the two SAIs to the mutual benefit of both.

Senior dignitaries of the Office of the CAG, Bangladesh and COA, Philippines were present during the signing.

The signing of the MoU took place during the Needs Assessment Review Meeting and Strategic Planning Workshop for the IDI-ASOSAI Cooperation Programme on Development of Strategic Plan held from August 30 - September 6, 2012. The workshop was hosted by the Mongolian National Audit Office, in cooperation with INTOSAI Development Initiative (IDI) and the Asian Organisation of Supreme Audit Institutions (ASOSAI).



CAG Bangladesh signs Memorandum of Understanding (MoU) with the Chairperson, Commission on Audit, Philippines Madam Gracia M. Pulido Tan in Ulan Baatar, Mongolia on September 3, 2012

Signing Ceremony of Memorandum of Understanding (MoU) between OCAG and ICAB

The signing ceremony of Memorandum of Understanding (MoU) between the Office of the Comptroller and Auditor General (OCAG), Bangladesh and the Institute of Chartered Accountants of Bangladesh (ICAB) was held on November 7, 2012. The MoU represents a milestone marking the start of a concrete journey in fostering closer cooperation between public and private sectors services delivery through audit quality assurance for the economic growth. The partnership agreement was initiated under the World Bank supported project on Promoting Public Private Partnership for Improved Audit Quality Assurance.



Memorandum of Understanding (MOU) between the Office of the Comptroller and Auditor General of Bangladesh and the Institute of Chartered Accountants of Bangladesh (ICAB) on November 7, 2012

Under this MoU both the Institutions will be arranging training programmes, knowledge sharing seminars, educational and professional skill development researches.

A presentation on 'Public Private Partnership for Improved Audit Quality Assurance' Policy Note was earlier made by Ms. Suraiyah Zaanat Khan, FCA, Senior Financial Management Specialist, South Asia Region, the World Bank. Bob Shambler of the National Audit Office (NAO), UK and Vermon Soare of the Institute of Chartered Accountants of England and Wales (ICAEW) also made a presentation on existing PPP arrangements between NAO and the ICAEW.

Mr. Syful Islam FCA, President, ICAB stressed on the importance of establishing alliances and partnership between private and public sector auditors to improve accountability and transparency in auditing practices.

A.K.M. Jashimuddin, Director General, Foreign Aided Projects Audit Directorate clarified certain issues and mentioned that private sector auditors were appointed by the shareholders. On the other hand, public sector auditors are mandated as per provision of the Constitution of the Republic. The responsibility relating to private sector auditor was more towards financial audit. Whereas the public sector audit coverage is on financial audit, compliance audit and value-for-money audit. As a result, partnership is essential and infeasible for both the parties.

CAG Ahmed Ataul Hakeem FCMA mentioned that the two institutions would work together in institutionalising sharing of knowledge and experience.

Special Guest and Acting Country Director, World Bank Salman Zaidi expressed that the World Bank was honoured and privileged to be part of the partnership.

The Chief Guest Honourable Minister for Commerce Ghulam Muhammed Quader appreciated the efforts of the two prestigious institutions in working together for a greater interest of the nation.

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