



# CAG NEWS

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## CAG'S NOTE

Strengthening financial management in the public sector has become one of the major issues in recent days. Global financial turmoil emanating from debt crises and other related problems unveiled the importance of sound fiscal management of a country. Supreme Audit Institutions (SAIs) are responsible to oversee public income and expenditure which constitutes an important aspect of overall macroeconomic outlook of a country. Proper and timely auditing would help the executives manage overall economy in an efficient way. In a globalized world, no country is immune to the effect of the financial crises and SAIs have an effective role to play, to mitigate its adverse impact.

SAIs should become aware of the developing situations and prepare accordingly to contribute by auditing emerging issues. With the help of IT, auditing has now taken a leap forward in terms of coverage and scope. We should build our capacity to address the newer issues as they unfold and continue develop professionally to ensure financial stability of the country which is the ultimate objective of a supreme audit institution.

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- OCAG Senior Management Workshop at Hope Foundation, Savar
- Workshop on 'Developing a Framework of Cooperation

between the Office of Comptroller and Auditor General (OCAG) and Anti Corruption Commission (ACC)

- Workshop on 'Role of Audit, Auditee and other Organizations in Promoting Good Governance'
- Workshop on 'Implementation of PAC Recommendations: Key to Good Governance'
- Interaction Session on 'Social Audit Findings on VGD Program'

## HONBLE PRESIDENT STRESSED ON PROMOTING TRANSPARENCY AND ACCOUNTABILITY IN PUBLIC FINANCIAL MANAGEMENT TO SAFEGUARD TAX PAYERS' MONEY



*Md. Zillur Rahman, Hon'ble President, People's Republic of Bangladesh at the 38th founding anniversary of the Office of the Comptroller and Auditor General on May 11, 2011*

The 38th founding anniversary of the Office of the Comptroller and Auditor General (OCAG) of Bangladesh and inauguration of OCAG Media and Communication Cell was held on May 11, 2011 at Audit Bhaban.

Hon'ble President of the People's Republic of Bangladesh Md. Zillur Rahman was present as the Chief Guest and inaugurated the OCAG Media and Communication cell. Adviser to the Hon'ble Prime Minister Dr. Mas huiur Rahman; Chairman, Public Accounts Committee Dr. Muhiuddin Khan Alamgir MP; US Ambassador James F. Moriarty and Canadian High Commissioner Robert McDo ugall attended the program as special guests.

Hon'ble President said that the people of Bangladesh are the real owner of the government exchequer. To establish a sound financial management, exemplary measures should be taken against those engaged in misappropriation of public money. Hon'ble President mentioned that the government officials should be more pragmatic and responsible whiles pending

public money and stressed on promoting transparency and accountability in public financial management to safeguard the tax payers' money.

Comptroller and Auditor General (CAG) Ahmed Ataul Hakeem in his welcome address said that transparency and accountability are imperative for good governance and democracy. He mentioned that OCAG was created in 1973 and till date has submitted 918 audit reports to the Parliament. He mentioned that a approximately Tk. 6000 crores was recovered and adjusted in the year 2010 as a result of OCAG's audit activities. He added that, to foster the concept of Digital Bangladesh, all activities and functions of audit department are in the process of full automation.

In his speech Dr. Mashur Rahman urged the officials of audit department to give equal emphasis on performance audit along with financial audit. He called for seeking expert assistance whenever necessary to conduct effective performance audit.

Dr. Muiyuddin Khan Alamgir MP, Chairman, Public Accounts Committee mentioned that Auditor General's office plays a key role in promoting good governance in a democratic society. He emphasized on enhancing the capacity of OCAG to widen the scope of its audit activities.

US Ambassador James F. Moriarty said that government of Bangladesh has improved remarkably in service delivery to the people. He appreciated OCAG's role in ensuring accountability and transparency in utilization of public resources.

High Commissioner of Canada Robert McDougall said that Bangladesh and Canada are working together to strengthen the public financial management in Bangladesh. He stressed on ensuring independence of OCAG in carrying out a audit. He hoped that OCAG media and communication cell will enhance the information dissemination to the people.

Members of the Parliament, former Adviser of the Caretaker government, former CAGs, Secretaries to the government, high officials, members of the civil society were present in the program. A documentary on the activities of the OCAG was presented at the end of the program.

#### DEPARTMENTAL TRAINING OF THE BCS AUDIT AND ACCOUNTS CADRE 28TH BATCH INAUGURATED

The departmental training course of the 28th batch of Bangladesh Civil Service Audit and Accounts cadre Assistant Accountant General (AAG) probationers was inaugurated at the Financial Management Academy (FMA) on January 18, 2011. Dr. Muiyuddin Khan Alamgir, MP, Chairman of the Parliamentary Public Accounts Committee (PAC) was present as the Chief Guest. CAG Ahmed Ataul Hakeem was present as the Guest of Honor.

Seventeen officials of different academic background and varied work experience joined in Finance Division, Ministry of Finance on December 1, 2010 and were subsequently placed to the office of the Comptroller and Auditor General of Bangladesh on December 6, 2010.

In his welcome address Director General, FMA, Md. Nurun Nabi Khan expressed his deep gratitude to the PAC Chairman for his kind presence to grace the occasion. He welcomed the probationers in FMA and hoped that their stay in the academy would be a fruitful and memorable one. He mentioned that the syllabus of the departmental training has been updated and modernized.

CAG in his speech congratulated the newly appointed officers and asked them to seriously participate in the training program. He emphasized on acquiring the required skill to be professionally competent to discharge their responsibility efficiently.



*(Clicking: L-R): CAG Ahmed Ataul Hakeem, Dr. Muiyuddin Khan Alamgir, MP, Honorable Chairman of the PAC and Director General, FMA, Md. Nurun Nabi Khan with the Assistant Accountant General probationers on January 18, 2011*

PAC Chairman expressed his hope that through the departmental training the officers would be transformed into efficient and dedicated ones with sincere commitment to serve the people and state. He urged the new officials to concentrate on matters of national importance while conducting a audit and deal with those issues with acumen and analytical perspective. Implementation of government annual budget and macro-policy level matters of the government should come under the purview of the OCAG audit. Public sector audits should give more emphasis on the changing atmosphere in the overall economic management of the government. Former CAG senior officials of the government and the audit department were present in the occasion.

#### DISCUSSION SESSION AT THE OCAG WITH THE PUBLIC ACCOUNTS COMMITTEE MEMBERS

Sixth annual summer residency program for Public Accounts Committees was held during February 6-12, 2011 in Melbourne Australia. From Bangladesh a four member delegation led by member of PAC Md. Ali Ashraf MP attended the workshop. Based on the experience of the workshop a discussion session was held at the CAG office on March 22, 2011.

Deputy Comptroller and Auditor General (Senior) Md. Amir Khasru in his speech heartily welcomed the PAC delegation at the CAG office. He hoped that the suggestions given by the members of PAC through this knowledge sharing session would strengthen the OCAG auditing practices.

Assistant Comptroller and Auditor General Md. Naoshad Hossain made a presentation on the program covering:

- Understanding government budget and examining outcomes
- PAC as a reviewer of public sector performance
- PAC-CAG relationship - supporting the PAC
- CAG's independence and audit discretion
- Adding value to audit reports
- Overcoming impediments to PAC effectiveness
- Role of PAC in a modern legislature
- Empowering the PAC: dealing with PAC reports

Actions to be undertaken:

- Strengthen the Auditor General office

- Improving support services of PAC
- More reports on current issue
- Develop formal follow-up process between PAC and OCAg
- Preparing follow-up reports

Md. Ali Ashraf, MP spoke on the backlog of audit reports, need for updated reports on recent issues of national importance, media presence in hearing of PAC, strengthen and improve the OCAg and PAC relationship. Khan Tipu Sultan, MP mentioned about the establishment of Secretariat of OCAg, financial independence, rewarding the efficient officials, overall change of environment in OCAg to assert the mandate it has and improve professionalism.

CAG Ahmed Ataul Haqueem in his speech mentioned that in the public accountability framework the Principal Accounting Officers (PAOs) have more responsibility to ensure accountability. He said that, during the 80s CAG's power has been dwindled, as a result the accountability regime of the government was severely weakened. Through the separation of pre-audit from OCAg in 1983 and in 2002, the built-in, time tested check and balance within the government mechanism has been destroyed. CAG highly appreciated the role played by the present PAC and hoped that more interactions like this would be arranged in future that will benefit all.

Senior officials of the audit department were present in the discussion session.

#### 21ST COMMONWEALTH AUDITORS-GENERAL CONFERENCE



CAG Ahmed Ataul Haqueem with the delegation of the 21st Commonwealth Auditors-General conference in Windhoek, Namibia

CAG Ahmed Ataul Haqueem attended the 21st Commonwealth Auditors-General conference in Windhoek, Namibia from April 10-13, 2011.

The conference brought together 38 representatives from the offices of the Commonwealth Auditors-General. The General Secretariat of INTOSAI informed the participants of the Commonwealth Conference about the recent developments in INTOSAI including the INTOSAI Initiative to strengthen independence, the 21st UN/INTOSAI Symposium in July 2011, the INTOSAI-Donor-Cooperation, and made a brief summary of the XX INCOSAI in 2010.

Country papers on the following themes were presented:

- Strengthening Financial Management in the Public Sector
- Aligning Institutional Capacity and Performance of SAIs

SAI Bangladesh made presentation on the Sub-theme 1: Strengthening Financial Management in the Public Sector.

'International Developments in Building Capacity in SAIs - The Commonwealth's Role' was additionally discussed in a workshop, which also covered the future role of the Commonwealth Auditors-General conferences.

Representatives of African and Pacific SAIs raised their concern about the subject of SAI independence. This issue was addressed through the INTOSAI initiative to incorporate the Lima and Mexico Declarations in a UN resolution, which is headed by the Secretary General. Niaz Rahman, Finance Controller attended the conference with the CAG.

#### ABDUHU MAHMUD KHAN-SALAHUDDIN AHMED CHOWDHURY-MD, ZAHIRUL ISLAM MEMORIAL LECTURE SERIES

Abdullah Mahmud Khan-Salahuddin Ahmed Chowdhury-Md. Zahirul Islam memorial Lecture Series was held at the CAG office on March 1, 2011. Controller General Defence Finance, Md. Motaher Hussain delivered a lecture on 'Audit Code of Ethics: application of morality and values in workplace'. Chairman, Anti-Corruption Commission Ghulam Rahman was present as the Chief Guest while CAG Ahmed Ataul Haqueem presided.

Salient features of the lecture were:

- Code of Ethics is about integrity and values in workplace, and if followed properly, audit department would be able to contribute significantly in establishing accountability and good governance in the country.
- Audit department can help the Anti-Corruption Commission within the mandate of the OCAg to curb corruption. A joint effort of national integrity institutions would be helpful to fight corruption.
- According to the Article 21 of Bangladesh Constitution 'Every person in the service of the Republic has a duty to strive at all times to serve the people'.
- Code of Ethics has two parts: Professional and Moral. There should be a mix of professional efficiency and moral integrity to get the appropriate status and honor from all the stakeholders of the audit department.
- Code of Ethics is preventive, its not curative, and prevention is better than cure.
- It is complimentary to the Government Servants Conduct Rules-1979 which is applicable to all the government servants. Code of Ethics is applicable for government auditors. It is the conduct rules for the auditors.
- CAG's Additional Functions Act-1974, Paragraph 11- Making of Rules: The Auditor General may make rules and give directions in respect of all matters pertaining to audit of any accounts he is required to audit. Code of Ethics is published with this power.
- Adherence to policies formulated by the audit offices including this Code of Ethics is binding upon all staff members under the OCAg. Any disciplinary actions could be taken if someone violates the Code of Ethics.

Chairman, Anti-Corruption Commission Ghulam Rahman mentioned that ACC alone can't fight against corruption, other institutions of the government as well civil society should be involved in the process. He stressed on establishing a national integrity system where OCAg, Ombudsman, ACC and Human Rights Commission can work together to reduce corruption.

CAG Ahmed Ataul Haqueem mentioned that OCAg acts as an oversight agency to help maintain financial discipline of the government. Audit is not fault finder but an aid to the management. He urged upon all concerned to follow the Code of Ethics in performing individual duties, and this would help in reducing corruption.

**PUBLIC ACCOUNTS COMMITTEE (PAC) MEETINGS, JANUARY-JUNE, 2011**

The Public Accounts Committee (PAC) and the sub committees of the PAC of the national Parliament held the following meetings during January-June, 2011 to discuss audit reports of various ministries and divisions:

**Public Accounts Committee:**

No.	Meeting Date	Discussed audit reports	Audit Directorate
1.	54th meeting January 6, 2011	Ministry of Industries, Bangladesh Chemical Industries Corporation, 1999-2000	Commercial Audit
2.	55th meeting January 11, 2011	Energy and Mineral Resources Division, Bangladesh Petroleum Corporation, 1999-2000 Energy and Mineral Resources Division, Bangladesh Petroleum Corporation, 2000-2001	Commercial Audit
3.	56th meeting January 20, 2011	Internal Resources Division, National Board of Revenue 2006-2007	Local and Revenue Audit
4.	57th meeting January 31, 2011	Ministry of Health and Family Welfare, Essential Drugs Company Limited, 2006-2007	Commercial Audit
5.	58th meeting February 3, 2011	Ministry of Housing and Public Works, Public Works Engineering Department, 2006-2007	Works Audit
6.	59th meeting February 7, 2011	Local Government Division, Local Government Engineering Department, 2006-2007	Foreign Aided Projects Audit
7.	60th meeting May 9, 2011	Ministry of Civil Aviation and Tourism, Biman Bangladesh Airlines, 1996-96 to 2006-06	Commercial Audit
8.	61st meeting March 20, 2011	Ministry of Industries, Bangladesh Chemical Industries Corporation, 2006-07 Banking and Financial Institution Division, Shadhara Bima Corporation and Jiban Bima Corporation, 2006-07 Rural Development and Cooperatives Division, 2006-07	Commercial Audit
9.	62nd meeting March 28, 2011	Ministry of Communication, Roads and Highways Department, 2006-07	Works Audit
10.	63rd meeting April 5, 2011	Ministry of Shipping, 2006-07	Commercial Audit
11.	64th meeting April 6, 2011	Internal Resources Division, Duty Exemption and Drawback Office (DED), 1997-2002	Local and Revenue
12.	65th meeting April 7, 2011	Ministry of Communication, Bangladesh Railway Store code, Performance report of railway workshops, 2001-2004 Annual reports, 2003-2004	Railway Audit
13.	66th meeting April 10, 2011	Internal Resources Division, Duty Exemption and Drawback Office (DED), 1997-2002	Local and Revenue
14.	67th meeting April 11, 2011	Ministry of Post and Telecommunication, 2006-2007	Post, Telephone and Telegraph Audit
15.	68th meeting April 24, 2011	Ministry of Foreign Affairs, 2006-2007	Mission Audit
16.	69th meeting May 5, 2011	Banking and Financial Institution Division, Agrani Bank Limited, 1996-1997	Commercial Audit
17.	70th meeting May 8, 2011	Ministry of Education, National University, 2000-2003	Local and Revenue Audit
18.	71th meeting May 12, 2011	Banking and Financial Institutions Division, Bank and Small industries, 1992-1997	Commercial Audit
19.	72nd meeting May 16, 2011	Ministry of Water Resources, 6 projects of Water Development Board, 2005 Annual audit report, 1999-2000	Works Audit Foreign Aided Projects Audit

20.	73rd meeting June 2, 2011	Ministry of Communication, Four foreign aided projects, 2006-2007 Power Division, four foreign aided projects, 2006-2007 Ministry of Health and Family Welfare, Four foreign aided projects, 2006-2007	Foreign Aided Projects Audit  Commercial Audit
21.	74th meeting June 20, 2011	Ministry of Industries, Annual Report, 2004-2005 Ministry of Industries, Karnaphuli Paper Mills, Chandraghona, Chittagong Urea Fertilizer Limited, and Ghorashal Fertilizer Factory, 2002-2004 Ministry of Industries, Annual report, 1999-2000 Ministry of Industries, 15 organization of 7 ministries, 2006-2007	Commercial Audit
<b>PACS sub committee-1</b>			
1.	14th meeting January 19, 2011	Ministry of Food and Disaster Management 1971-72 to 1984-85	Commercial Audit
2.	15th meeting March 14, 2011	Ministry of Food and Disaster Management 1983-84 to 1987-88	Commercial Audit
3.	16th meeting April 4, 2011	Ministry of Finance, Bank & Financial Institution division 1985-86 to 1998-94	Commercial Audit
4.	17th meeting April 21, 2011	Ministry of Finance, Bank & Financial Institution division 1979-80 to 1998-94	Commercial Audit
5.	18th meeting May 31, 2011	Ministry of Agriculture 1990-91 and 1991-92	Commercial Audit
6.	19th meeting June 8, 2011	Ministry of Housing and Public works, 1990-91	Works Audit
7.	20th meeting June 22, 2011	Ministry of Power, Energy and Minerals resources, 1090-91, 1991-92, 1993-94 and 1994-95	Works Audit
<b>PACS sub committee-4</b>			
1.	31st meeting January 4, 2011	Progress review on the recommended observations of 27th meeting and Ministry of Communication 2005-06	Works Audit
2.	32nd meeting January 06, 2011	Progress review on the recommended observations of 11th meeting, Ministry of Finance 2005-06 and Ministry of Civil Aviation and Tourism 2005-06	Commercial Audit
3.	33rd meeting February 28, 2011	Ministry of Communication 2005-06	Works Audit
4.	34th meeting May 10, 2011	Progress review on the recommended observations of 20th meeting, Ministry of Communication 2005-06	Railway Audit
5.	35th meeting May 16, 2011	Progress review on the recommended observations of 22nd meeting and Ministry of Post and Telecommunication 2005-06	Post, telegraph and Telephone Audit
6.	36th meeting May 26, 2011	Progress review on the recommended observations of 28th meeting and Ministry of Housing and Public works 2004-05	Works Audit
7.	37th meeting June 14, 2011	Ministry of Civil Aviation and Tourism 2005-06 and Progress review on the recommended observations of 4th and 11th meeting	Commercial Audit
8.	38th meeting June 21, 2011	Ministry of Defence 2005-06 and Progress review on the recommended observations of 19th and adjourned 19th meeting	Defence Audit

## 20TH MEETING OF THE INTOSAI WORKING GROUP ON IT AUDIT

CAG Ahmed Ataul Hakeem attended the 20th meeting of the INTOSAI Working Group on IT Audit (WGITA) in Sun City, South Africa from April 15-17, 2011.



CAG Ahmed Ataul Hakeem with delegation of the 20th meeting of the INTOSAI Working Group on IT Audit (WGITA) in Sun City, South Africa

Following issues were discussed in the workshop;

- Report on INTOSAI IT Working group website and reference list of material on performance audit.
- Report on projects: the meeting proposed review of the progress of the projects as per the WGITA Work Plan 2011-2013. The projects are:
  - Development of IT Performance Indicator/Index System about IT Performance audit/Performance measures of IT solutions implemented in government organizations
  - IT Audit planning and detailed audit procedures to review IT controls
  - Optimizing IT value in government organizations
  - Green IT
  - Cloud computing and virtualization
- Cooperation with INTOSAI Development Initiative (IDI)
- A retrospective of WGITA accomplishment in last ten years
- Overview of activities and new projects of the EUROSAI IT Audit working group
- Topics of country paper presented:
  - IT Auditing strategies
  - Concept paper on audit resource management system
  - 2nd IT governance survey and IT governance index
  - IT contents included in the national auditing standards
  - Developing IT audit plan
  - Audit ideas utilizing Google Earth
  - Challenges of management information system- sustaining change and reforms in Pakistan
  - Risks of e-governance strategy dominated by outsourcing

Niaz Rahman, Finance Controller, attended the meeting with the CAG.

## PRESENTATION SESSIONS

### THE AUDIT FORUM OF INDONESIA

A presentation on 'The Audit Forum of Indonesia' was held on June 28, 2011 at the CAG office. Md. Zahurul Islam, Senior Finance Controller (Defence Purchase) made the presentation. CAG Ahmed Ataul Hakeem presided. Salient features of the presentation were as follows:

The Audit Forum is a quarterly publication of The Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan- BPK) and the main focuses of the current edition are strengthening SA I independence and quality improvement of audit reports. Two articles published in the Forum are:

- The exposure of audit findings attributes as contribution to the improvement of audit report quality - Blucer W. Rajaguguk
- BPK's experience in strengthening independence: An integrated and continuous Process - Hery Subowo

The journal covered the following areas:

- Status of BPK
- Organization and resources
- BPK's audit report
- The independence of BPK head and members
- Mandate and discretion in the discharge of functions
- Unrestricted access to information
- The freedom on reporting
- Follow-up mechanism
- Managerial autonomy and resources availability
- BPK's strategy: An Integrated and Continuous Process: BPK implements an integrated-continuous approach in strengthening its independence. This approach blends all aspects in capacity building: professional capacity, organizational capacity and capacity to deal with external environment.

Senior officials of the audit department were present in the presentation session.

### THE IMPACT OF PUBLIC AUDIT

A presentation on 'The Impact of Public Audit' was held at the CAG office on March 30, 2011. Md. Abdul Baten Fakir, Assistant Comptroller and Auditor General made the presentation while CAG Ahmed Ataul Hakeem presided. Following issues were discussed in the presentation:

'The Impact of Public Audit' is a discussion paper prepared by the UK National Audit Office in February 2011 for the 21st Commonwealth Auditor Generals Conference. Under the Sub-Theme 1: Strengthening Financial Management in the Public Sector, it examines how public audit undertaken by SAs has an impact and how this impact is measured. Examples are cited from six SAs namely Australia, Canada, Bangladesh, India, South Africa and New Zealand.

In the said paper public audit has been viewed as an institutional framework for a democratic nation that plays a central role in assessing and enhancing the effectiveness and propriety of public spending. It has responsibility for ensuring absolute integrity in the spending process. Also public audit is a way of uncovering irregularities in financial matters.

Audit undertaken by the SAIs: The work of a SAI typically consists of financial audit, performance audit. Though individual SAIs consider their political, social and economic context in conducting an audit.

Impacts SAIs achieved: Two types of impact: economic and social. These impacts can be broken down into the following themes:

- Accountability
- Helping to improve services
- Helping to produce savings
- Helping organizations learn

Measuring the impact of SAIs

Implementation of Recommendations

- Spreading good practice
- Recovery/adjustment of funds
- Assurance
- Changes to law
- Improving service to citizens
- Increasing trust in the public sector

Ensuring achieving impacts

- Good management and quality control of its audit work
- Skills development and training
- Quality assurance
- Follow up
- Liaison with parliamentary and other constitutional bodies

Senior officials of the audit department were present at the presentation session.

#### DIFFERENT MODELS OF SAI AND APPLICATION OF ISSA IS AND INTOSAI GOVS BY THE SAIS

A.K.M. Jashim Uddin, Director General Commercial Audit Directorate made a presentation on 'Different models of SAI and application of ISSA Is and INTOSAI GOvs by the SAIs' on January 27, 2011 at the CAG office. CAG Ahmed Ataul Hakeem presided. Issues covered in the presentation were:

- Supreme Audit Institution (SAI) models
  - o Auditor General
  - o Board or Collegiate model
  - o Court of Accounts
- XX INCOSAI in South Africa approved 35 ISSAIs and two INTOSAI GOvs as:
  - o Level-1: Founding principles
  - o Level-2: Pre-requisites for functioning of SAIs
  - o Level-3: Fundamental auditing principles
  - o Level-4: Auditing guidelines
- Role of ISSA Is and INTOSAI GOvs: The ISSA Is lay down the founding principles, pre-requisites for the functioning of SAIs, fundamental auditing principles and auditing guidelines, and the purpose of INTOSAI GOvs is to encourage good governance in the public sector
- Johannesburg declarations: XX INCOSAI call upon its members to:
  - o Use the ISSAI framework as a common frame of reference for

public sector auditing

- o Implement ISSA Is in accordance with their mandate and national legislation
- o Raise awareness of the ISSAIs and INTOSAI GOvs globally, regionally and at the national level
- o Share experience, good practice and challenges in implementing the ISSA Is and INTOSAI GOvs
- Awareness raising strategy for ISSA Is by the Professional Standards Committee (PSC)
  - o During 2011-2013 main focus of PSC will be to maintain the ISSA Is rather than developing new ones
  - o Harmonization and raising awareness of ISSA Is among the member SAIs
  - o Cooperation with IDI and the regional representatives to appoint a number of ISSAI 'Ambassadors' who will be responsible for awareness raising in their respective SAIs.

Senior officials of the audit department were present at the presentation session.

#### TRANS-REGIONAL CAPACITY BUILDING PROGRAMME FOR AUDIT OF PUBLIC DEBT MANAGEMENT

A presentation on 'Trans-regional capacity building program for Audit of Public Debt Management' was held at the CAG office on May 26, 2011. CAG Ahmed Ataul Hakeem presided. A.K.M. Jashim Uddin, Director General Commercial Audit Directorate, Md. Abdus Samad, Director, Local and Revenue Audit Directorate and Farheen Mowla, Director, Performance Audit Directorate were the public debt management audit team member from SAI Bangladesh to the capacity building program. The salient features of the presentation were as follows:

- Public Debt Management Audit (PDMA): IDI initiative
- Objective: To enhance professional and institutional capacity of target SAIs in public debt management audit
- Output:
  - o Web based training course
  - o Audit teams from target SAIs trained in PDMA
  - o Pilot audits planned, conducted and reported by participating SAIs
  - o INTOSAI Public debt working group guidance followed by the participating SAIs
- Outcome:
  - o Institutionalization of systems to carry out PDMA by participating SAIs
  - o Acceptance of audit recommendations for enhancement of PDM system by the executives

Understanding Public Debt Management

- No central Debt Management Office in Bangladesh
- Five organizations involved in debt management:
  - o External Resources Division (ERD) - External debt
  - o Bangladesh Bank (BB) - Marketable securities and Treasury management instruments
  - o Department of National Savings (DNS) - National Saving Schemes (NSS)
  - o Controller General of Accounts (CGA) - Debt generated for public accounts and accounts keeping
  - o Treasury and Debt Management Wing (TDMW) of Finance Division (FD) - policy matters

- Cash and Debt Management Committee (CDMC) established to ensure central coordination and monitoring of public debt
- Cash and Debt Management Technical Committee (CDMTC) established to support CDMC

The topic 'Audit of public debt management and reporting in Bangladesh' was selected in the audit planning meeting.

**Audit Objectives:**

- To ascertain whether public debt is adequately monitored and coordinated
- To ascertain whether the public debt accounts/records are complete, accurate and reliable

**Audit Scope:**

- Debt management of FD, ERD, DNS under Ministry of Finance, BB and CGA
- Debt statements of debt management units and annual Finance Accounts of Govt. of Bangladesh (GoB) for financial year 2009-10

**Structure of draft audit report:**

- Executive Summary
- Chapter 1: Audit background, audit objectives, scope, methodology, resources and audit limitations
- Chapter 2: Monitoring and coordination of public debt
  - o Inconsistencies in the PDM statutes and regulations
  - o Decentralized Public Debt Management structure
  - o Un-coordinated reforms initiatives introduced in DMUs
  - o Internal audit activity
- Chapter 3: Public debt reporting
  - o Weaknesses in maintenance of debt data by DMUs
  - o Discrepancies in final accounts of the government prepared by CGA
  - o Presentation, disclosure, timeliness, completeness, accuracy and consolidation process

**Suggested SAI Action Plan:**

- PDMA report
- Dissemination of the PDMA results
- Adaptation of PDMA Guidelines
- Conduct annual audit on:
  - o On lending by MoF
  - o Recording and disclosure of debt information in annual Finance Accounts
  - o GoB guaranteed debt and contingent liability

Senior officials of the audit department were present in the presentation session.

**FINANCIAL INSTRUCTIONS FOR THE GUIDANCE OF BANGLADESH MISSIONS ABROAD**

A presentation session on 'Financial instructions for the guidance of Bangladesh missions abroad' was held on April 27, 2011 at the CAG office. CAG Ahmed Ataul Hakeem presided. Md. Manirul Islam, Chief Accounts Officer, Ministry of Foreign Affairs made the presentation. Issues covered in the presentation were:

**Chapter I-Introduction:**

- Short title
- Definitions

**Chapter II - General Organization in Regard to Treasury in Business: Conducted by the Missions:**

- Treasury Function
- Responsibilities of the Head of the Mission
- Transfer of charge
- Responsibilities of the officer handling accounts
- Custody of Government money and other valuables

**Chapter III - General System of Financial Management and Control:**

- Imprest
- Conditions governing expenditure from public funds
- Standards of Financial propriety
- Control of expenditure
- Delays in payment
- Inevitable payments
- Contracts - General principles
- Defalcations, Losses, etc.

**Chapter IV - Handling of Cash:**

- Cash Book
- Handling of Cash
- Grant of Receipt to the payee
- Forms and Custody of Receipt Books
- Issue of duplicates for copies of receipts
- Draw of Cheques

**Chapter V - Withdrawal from Public Accounts**

- Personal Claims of Government Servants
- Supply and Services Charges
- Record of Supply and Services Expenditure
- Countersigned Supply and Services

**Chapter VI - Powers of Sanction and Control of Expenditure against Appropriation:**

- General Limitations
- Financial powers delegated to Head of Missions
- Communication of sanctions
- Date of effect of sanction
- Retrospective sanction
- Lapse of sanction
- Control of expenditure
- Surrender of anticipated savings
- Re-appropriation of Funds
- Supplies and Services Item
- Appropriation Accounts

**Chapter VII - Loans and Advances to Government Servants**

**Chapter VIII - Pay**

**Chapter IX - Allowances other than TA**

**Chapter XIII - Miscellaneous Subject**

**Chapter XIII - Accounts**

Senior officials of the audit department were present in the presentation session.



**STUDY TOUR AT THE NATIONAL AUDIT DEPARTMENT, MALAYSIA; AUSTRALIAN NATIONAL AUDIT OFFICE AND OFFICE OF THE AUDITOR GENERAL OF THAILAND**

A study tour was organized by the Strengthening Comptrollership and Oversight of Public Expenditure (SCOPE) project in the National Audit Department of Malaysia, Australian National Audit Office, Victorian Auditor General Office, Melbourne, Australia, the State Audit Office of New South Wales, Sydney, Australia and the Office of the Auditor General of Thailand during February 12-26, 2011. 12 officials of the OCAG visited the offices, made a presentation and shared their experiences on April 5, 2011 at the CAG office. CAG Ahmed Ahsan Hakeem presided over the session. Salient features of the presentation were:

- National Audit Department of Malaysia: Types of audit conducted:
  - o Attestation/Financial Audit
  - o Performance Audit
  - o IT Audit
  - o Compliance/Accountability Index Financial management Audit
  - o Financial management Audit
  - o Spot Audit
- Australian National Audit Office (ANAO)
  - o Financial Statement Audit

**Approach:** Risk based approach that involves gaining an understanding of the risks of the entity and how these risks affect the entity's financial statements and assessing the effectiveness of financial governance arrangements and controls. ANAO's approach also includes the identification and assessment of the risk of material misstatement, including the risk of fraud and error, in the financial statements.

- o Performance Audit

ANAO in conducting performance audit involves assessment of public sector entities' programs, resources, information systems, performance measures, monitoring systems and legal and policy compliance.

- ANAO conducts four types of performance audit:
  - o Audits of a program or activity in a single entity
  - o Protective security audits (examines security arrangements)
  - o Cross-entity audits (reviews the same activity in a number of entities or the administration of a program by a number of entities)
  - o Follow-up audits (review the implementation of recommendations from a previous audit)
- Office of the Auditor General of Thailand: Types of audit
  - o Financial audit
  - o Investigative audit
  - o Performance Audit

**Lessons learnt and recommendations for application in SAI Bangladesh:**

All three SAIs are mandated for Financial Statement audit of the government departments and other government owned bodies. They audit and certify the yearly consolidated financial statement as well as the individual accounts of the departments and all are submitted to the Parliament.

- To establish ministry wise accountability OCAG need to a range

for preparation of annual financial statement for every ministry

- Civil Audit Directorate may conduct a audit for certification of these accounts
- Other public and statutory bodies like the universities, BCSIR, Atomic Energy Commission, Election Commission etc. may be brought to the same system
- Financial statement audit of public commercial bodies may be reported by the Commercial Audit Directorate

To extend and enhance Performance audit activities:

- Performance audit core groups should be placed under the Performance Audit Directorate
- Performance Audit Directorate should be strengthened
- It will conduct the maximum number of the targeted audits along with existing supervisory and advisory service

SAI Bangladesh needs to develop specialist IT audit group and the focus of this IT audit group would be:

- Liaison with the Performance Audit Directorate which may be entrusted with management of the IT audit group activities
- Core group will collect on line data/information from the auditees, analyze and share with the respective audit directorates
- IT audit core groups should be placed under the Performance Audit Directorate
- On line data access facilities to the CGA system by the concerned audit directorates

Senior officials of the audit department were present in the presentation session.

**EVENTS**

**OCAG SENIOR MANAGEMENT WORKSHOP AT HOPE FOUNDATION, SAVAR**



*CAG at the inaugural ceremony of the workshop for OCAG Senior Management at the Hope Foundation, Savar*

Strengthening Comptrollership and Oversight of Public Expenditure (SCOPE) project organized the OCAG senior management workshop during March 3-6, 2011 at the Hope Foundation, Savar. The purpose of the workshop was to create awareness about the International Standards of Supreme Audit Institutions (ISSAIs) and the functionalities of the Interactive Data Extraction and Analysis (IDEA) software. Also, to develop an action plan for implementing IT based audit techniques.

The workshop was inaugurated by CAG Ahmed Ataul Hakeem. In his speech CAG emphasized on implementation of IT auditing using CAATs. He urged all the officials to enhance individual capacity following the workshop sessions. He hoped that the workshop would bring the expected positive improvement in the audit practices of the OCAG. Earlier Project Director A. KM. Jasim Uddin in his welcome speech mentioned about the steps taken by the project regarding IT auditing and IT infrastructure in OCAG. He mentioned that through this workshop awareness of officials on IT and BSAIs would be increased.

In the hands-on sessions all participants undertook practical lesson on the functionalities of the data analysis software IDBA. The BSAIs were discussed and the features of the important BSAIs were explained. Also the change management requirements for implementing the BSAIs and CAATs with relation to financial management process were discussed.

Following issues were discussed in the plenary:

- Access to CGA IBAS database
- Use of CAATs for audit planning and field audits
- Standard audit procedures and programs based on BSAIs
- Pilot audits
- Financial audit manual
- Audit documentation
- Human resources development and training
- Change management

Decisions: Gradual implementation of CAATs in the OCAG and use of data analysis that could bring about significant transformation in the way audit is carried out. Significant change management efforts is necessary to achieve these objectives.

In his concluding remarks CAG urged the officials to contribute their learning in the field auditing. He mentioned that audit department will show the path in achieving digital Bangladesh by itself going digital. He stressed on the need for reaching the international level in auditing in IT environment and performance auditing. He hoped that OCAG would be able to satisfy the needs of the Public Accounts Committee with high quality audit reports.

Omar Faruq Khan, Senior Development Adviser, Canadian International Development Agency (CIDA), SCOPE project officials, and officials of the audit department attended the workshop.

**WORKSHOP ON 'DEVELOPING A FRAMEWORK OF COOPERATION BETWEEN THE OFFICE OF COMPTROLLER AND AUDITOR GENERAL (OCAG) AND ANTI CORRUPTION COMMISSION (ACC)'**

A workshop on 'Developing a Framework of Cooperation between the Office of Comptroller and Auditor General (OCAG) and Anti Corruption Commission (ACC)' was held on January 13, 2011 at Bangladesh Institute of International and Strategic Studies (BISS). The workshop was organized by the Bangladesh Enterprise Institute (BEI) in association with USAID funded PROGATI project. CAG Ahmed Ataul Hakeem was present at the workshop as the Guest of Honor.

Objectives of the workshop were to:

- Identify the existing oversight infrastructure in Bangladesh
- Understand their relationship, particularly between the OCAG and ACC
- Suggest a framework of collaboration between these two vital organizations to combat corruption
- Improve the proposed framework based on the suggestions and comments

M. Humayun Kabir, Senior Consultant of BEI made the keynote presentation covering:

- Introduction, objectives and methodology
- Theoretical framework
- Oversight bodies in Bangladesh and their relationships
- Good practices from other nations
- Possible framework of co-operation
- Challenges and findings
- Way forward and Conclusion



*CAG at the workshop on 'Developing a Framework of Cooperation between the Office of Comptroller and Auditor General (OCAG) and Anti Corruption Commission (ACC)'*

Three distinct forms of relationship for ensuring integrity in governance:

- constitutional relationship involving a sense of mutual accountability among three organs of the government
- policy relationship, which determines the integrity mechanism in a given sector or jurisdiction, and
- Operational relationship involving day-to-day activities of core integrity institutions to ensure coherence in their mutual interactions

Framework of collaboration between the OCAG and ACC. An infrastructure comprising three elements:

- Institutional cooperation
- Enabling environment, and
- Legal infrastructure

Manzur Mannan, Senior Commissioner at the ACC observed that corruption grew in secrecy and that ACC could not fight corruption alone. He insisted on the support of other government organizations to stem this menace. He mentioned that OCAG is in best position to unearth corruption and malpractices, on which ACC could pursue its case.

CAG Ahmed Ataul Hakeem said that the OCAG is governed by constitution, but in the absence of Audit Act it largely follows the INTOSAI guidelines. He argued that the separation of accounts from the OCAG, indeed eliminated a valuable preventive tool to stop malpractices at the beginning of the policy process. In order to enhance cooperation with ACC he suggested that more in-house training and mutual briefings could be arranged to improve understanding and build a better work environment in both the organizations.

Ambassador Farooq Sobhan, President of BEI, chaired the session and moderated the discussion. Secretaries to the government, Civil Society Organizations, high officials of audit department and other government departments attended the workshop.

#### **WORKSHOP ON 'ROLE OF AUDIT, AUDITEE AND OTHER ORGANIZATIONS IN PROMOTING GOOD GOVERNANCE'**

A workshop on 'Role of Audit, Auditee and other Organizations in Promoting Good Governance' was held at Rajshahi on January 20, 2011. Bangladesh Enterprise Institute (BEI) in association with USAID funded PROGATI Project organized the workshop. CAG Ahmed Ataul Hakeem was the chief guest while Abdul Mannan, Divisional Commissioner of Rajshahi was present as the special guest.

The main objectives of the workshop were to:

- Promote awareness of CAG's roles, functions and importance
- Build public outreach capacity of OCAG
- Create awareness on good governance and the importance of combating corruption
- Promote productive auditor-auditee relationship
- Promote effective relationship with the media and civil society organizations

M. Murshidul Haq Khan, Additional Deputy Comptroller and Auditor General made a presentation on 'Introduction on the office of the Comptroller and Auditor General of Bangladesh'. Md. Khorsheed Alam Khan, Component Manager of PROGATI made a presentation on 'Role of Auditor, Auditee and other Organizations in Promoting Good Governance'.

CAG Ahmed Ataul Hakeem in his speech mentioned that audit is a two-way traffic between the auditor and the auditee. As audit facilitates improvement of financial discipline, without reciprocal spirit, effectiveness of both shall suffer, he added. Auditing is being conducted and audit reports are being submitted but there is no sign of reduction of corruption. Every auditor has to follow the right audit procedure and ethical standards so that the bridge between audit and auditee is cemented into a solid foundation of mutual understanding and commitment.

Recommendations:

- Inclusion of CAG's power, function, status and role in the training programs of all government officials in all public institutes
- Regular and frequent interaction between OCAG and CSOs, media, NGOs and other pressure groups down to the field levels
- Proactive relationship between the auditor and auditee particularly at the time of audit planning in order to ensure a spirit of belongingness during auditing by the auditee leading to good governance by reducing corruption
- Empowerment of OCAG through enactment of Audit Act

#### **WORKSHOP ON 'IMPLEMENTATION OF PAC RECOMMENDATIONS: KEY TO GOOD GOVERNANCE'**

A workshop on 'Implementation of PAC Recommendations: Key to Good Governance' was held on January 24, 2011 at Bangladesh Institute of International and Strategic Studies (BISS) organized by the Bangladesh Enterprise Institute (BEI) in association with USAID funded PROGATI project.

Dr. Muhiuddin Khan Alamgir, MP and Chairman Public Accounts Committee was present as Chief Guest. Imajuddin Pramanik, MP

Member, PAC and CAG Ahmed Ataul Hakeem were guests of honor.

Objectives of the workshop were to:

- Ascertain the position of PAC recommendation in PAC, OCAG and ministries/divisions concerned
- Find out the reasons of delay and in most cases non-implementation of PAC recommendations
- Identify the impact of non-implementation of PAC recommendations in the financial management of the government
- Suggest way forward relating to non-implementation of PAC recommendations considering the ground realities of our working culture
- Arrive at a realistic solution to address the issue on the basis of suggestions and comments of the participants

Shakti Pati Moitra, Senior Consultant of BEI made a presentation on the topic. He highlighted the following issues:

- PAC-OCAG relationship
- PAC Reporting
- Activities of the 9th PAC
- Aspects of PAC discussion and settlement process
- PAC findings: an analysis
- Reasons of non-implementation: its impact
- Way forward and conclusion

Reasons of non-implementation:

- Lack of PAC secretariat and required manpower
- Absence of structured audit cell in the ministries
- Weak follow up mechanism
- Skeleton PAC cell in OCAG
- Mindset of work force of audit and auditee
- Less audit awareness

Impact of non-implementation of PAC recommendations:

- Large sums of money not adjusted/recovered
- Pension cases could not be settled
- Recurrence of similar financial irregularities

Recent initiative of PAC

- PAC: Formation of 5 subcommittees, Number of meetings increased
- OCAG: Meeting with PAC and information updated
- Ministries: Reconciliation of number of audit objections

CAG Ahmed Ataul Hakeem said that proper implementation of PAC recommendations can promote good governance. Also, PAC-OCAG joint efforts can strengthen accountability and transparency. He mentioned that absence of PAC indulges executives to attach less importance to PAC recommendations.

Mr. Imajuddin Pramanik, MP and member PAC said that function of PAC should continue after the tenure of parliament and suggested that PAC meetings should be held on camera.

Dr. Muhiuddin Khan Alamgir, MP and Chairman PAC stated that good governance could not be ensured without democracy. Parliament and audit are responsible for safeguarding of public

resources. He mentioned that an audit played a commendable role in promoting financial discipline. Regarding separation of pre-audit and post-audit, he mentioned that, considering sensitivity and importance of the issue, it should be thoroughly examined before any reform takes place.

Recommendations of the workshop:

- Formation of Financial (Audit) Oversight Working Group (FOWG)
- Introduction of follow up mechanism
- Establishment of PAC secretariat
- Categorization of audit reports
- Clear mandate for un-discussed audit findings

Secretaries to the Government, former Secretaries, former Ambassadors, representatives of PROGATI project, Civil Society Organisations (CSO), high officials of audit department and other govt. departments attended the workshop. Farooq Sobhan, president BEI moderated the workshop.

#### INTERACTION SESSION ON SOCIAL AUDIT FINDINGS ON VGD PROGRAM

An interactive sharing session on 'Social Audit Findings on VGD Program' was held at the CAG office on May 24, 2011. USAID PROGATI has carried out the social audit with the assistance of Directorate of Relief and Rehabilitation under the Ministry of Food and Disaster Management. The audit was carried out in five districts of the Khulna Division. CAG Ahmed Ataul Hakeem, Chief of Party of PROGATI and senior officials of the audit department were present in the occasion.

The audit findings were presented by Kazi Nabiul Hoque, Advisor, Social Audit Program, Bangladesh Institute of Theatre Arts. Following issues were covered in the presentation:

- Social audit is a tool to measure the effectiveness of any government program
- Objectives of social audit:
  - o To measure the effectiveness of government Vulnerable Group Development (VGD) program in the life of poor women
  - o A collaborative initiative of PROGATI and the ministry
- Geographical coverage: Five districts of Khulna division covering 30 Unions of 10 Upazilas
- Total VGD card holders: 19634 (sample: 20% of each Upazila's card holders)
- Major findings:
  - o Eligibility by age criteria: 95% eligible, 5% not eligible
  - o Eligibility by poverty criteria: 64% eligible, 36% not eligible
  - o Eligibility from land and asset ownership (0-15 decimals of land): 88% eligible, 12% not eligible
  - o 80% were selected by the Union Parishad directly
  - o 4% had to pay some fees to get a VGD card

- Food assistance: below 26 Kg (15%), 26-28 Kg (54%), 29 Kg (31%)
- Development package:
  - o Savings program: Participated - 59%, didn't participate - 41%
  - o IGA Training: Participated - 66%, didn't participate - 34%
  - o Life skill training: Participated - 55%, didn't participate - 45%
- Gaps identified through social audit:
  - o Many VGD cards were distributed to ineligible women
  - o Misappropriation in food distribution
  - o Government rules were not followed
  - o Training provided by NGOs were adequate

Issues identified in a audit:

- VGD card holder selection process:
  - o Influenced by political leaders, social elites
  - o Lack of knowledge and skill of people engaged in selection process
  - o Poor monitoring during selection process
  - o Time constraint in selection process
- Lack of information dissemination
  - o To avoid chaotic situation due to high demand of VGD cards
  - o Budget constraints for open publicity
- Food distribution
  - o Transportation cost and wage to labor engaged in weighing and distribution of wheat
  - o Absence of proper weighing scale
- Training
  - o Lack of skilled trainer
  - o Training was not need based
  - o Poor monitoring and supervision
- Recommendations
  - o Establishment of Union level database
  - o Comply with the Right to Information policy for VGD program
  - o Using standard weighing scales
  - o Specific date for food distribution in a month
  - o Post of Upazila Women Affairs officers should not remain vacant
- Opportunities for OCAG
  - o Resources available from social audit could be used for special issue based audit
  - o Social audit can supplement where financial audit has limitation

Senior officials of the audit department were present in the interaction session.

#### CAG NEWS

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