



ANNUAL REPORT - 2010

Office of the Comptroller and Auditor General of Bangladesh

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VISION

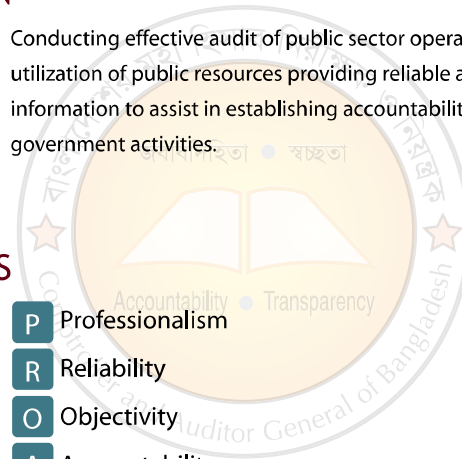
Attaining accountability and transparency in Public Financial Management for achieving good governance.

MISSION

Conducting effective audit of public sector operations for optimum utilization of public resources providing reliable and objective information to assist in establishing accountability and transparency in government activities.

CORE VALUES

- P** Professionalism
- R** Reliability
- O** Objectivity
- A** Accountability
- C** Credibility
- T** Transparency
- I** Integrity
- V** Viability
- E** Ethics



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1. FOREWORD: IN RETROSPECT



Moving across year 2010, the Office of the Comptroller and Auditor General (OCAG) rediscovered its potential in achieving significant milestones. Since adoption of the Strategic Plan: 2007-2012, our activities have gathered remarkable momentum in achieving corporate objectives. In an era of digital revolution, major advances have been made in auditing in IT environment, as well as taking steady steps toward going online in terms of computerized delivery of our activities and operations.

Until recently, efforts were more fragmented and isolated adopting piecemeal approaches with very little involvement of the stakeholders.

Aligning the OCAG vision with the stakeholder expectation has been vital in addressing citizen's concern. With a diversified group of stakeholders - the legislature, executive, civil society, development partners, media and the citizen at large - greater importance on developing positive and constructive working relations has been emphasized for promoting accountability.

OCAG has always worked to ensure that the value of the tax payers' money is being attained. But weaknesses in the internal control systems in the public sector organizations have made this difficult and increasing the risk for corruption and misappropriations as well. Therefore, to strengthen the ability of the OCAG to combat corrupt practices, issues regarding prevention and detection of fraud have received greater attention. Historically, a strong correlation existed between the pre-audit and post-audit functions. The OCAG played an indirect supervisory role in respect of the integrated built-in internal control system inherited from the colonial legacy. The age old time tested pre-audit system has been a powerful first tier defence against corruption. With the accounting reforms, the supervisory role of the OCAG over pre-audit has weakened over the recent years. The INTOSAI Lima Declaration on SAI independence consider effective pre-audit as indispensable for the sound management of public funds entrusted to the state.

Independence of OCAG is constrained to certain extent as it has to depend on the government in respect of budgeting arrangements and personnel policies. Despite constitutional provisions clearly establishing functional independence, financial and managerial autonomy and the availability of appropriate human and monetary resources are not covered under the existing system. The office is likely to face an acute manpower shortage unless immediate steps are taken to recruit sufficient number of workforce. The OCAG is currently under-resourced for conducting the level and extent of auditing that would meet its statutory obligations and performance.

In coping with the challenges, the OCAG is in urgent need of strengthening its constitutional provisions on SAI Independence in line with the Lima and Mexico Declarations. Recently attempts have been made to further update the mandate of OCAG through formulation of an 'Audit Act' that provides better statutory framework for

FOREWORD: IN RETROSPECT

modern auditing in terms of adequate financial and administrative arrangements. If approved, it will enable the OCG to nurture and strengthen an environment to conduct independent audit which, in turn, would reduce financial irregularities and promote greater accountability in the public sector.

Despite all odds, the OCG managed to come out with strong performance and notable outputs. The year 2010 was noteworthy in forging a strong working relationship with the Public Accounts Committee (PAC). Despite various shortcomings, recent unprecedented steps in discussing huge back log of un-discussed audit reports have yielded encouraging results. In recognition of its proactive initiatives, the present PAC was elected as the chairman of the Asia Regional Association of Public Accounts Committees (ARAPAC), a newly formed organization of Public Accounts Committees across the South and Southeast Asia region.

OCG Bangladesh started its journey as the Supreme Audit Institution on May 11, 1973. The observance of the 37th anniversary ushered in a new spirit of furthering the frontiers of establishing good governance. Finally, we ended the year with positive output. However, we still have important milestones to achieve. An insightful assessment of the bygone year is essential before resetting the focus towards the next year.

January 1, 2011



Ahmed Ataul Hakeem FCMA
Comptroller and Auditor General

2. SUPREME AUDIT INSTITUTION OF BANGLADESH

a. Who We Are



The Office of the Comptroller and Auditor General (OCAG), the Supreme Audit Institution (SAI) of Bangladesh, is responsible for auditing government receipts and public spending and to ascertain whether expenditures have yielded value for money in government offices, public bodies and statutory organizations. Appointed by the President of the Republic, the Comptroller and Auditor General (CAG) heads the Supreme Audit Institution.

Constitutional mandate of Comptrollership provides CAG with the authority to decide the manner and the form in which the government accounts are maintained and disclosed.

The Constitution of the People's Republic of Bangladesh provides the CAG with absolute operational independence i.e. CAG is not subject to the influence or control of any other authority in determining the scope and extent of audit and has unrestricted access to all documents required for carrying out audit.

Directors General, the heads of the Audit Directorates are responsible for conducting audit on behalf of the CAG in their respective jurisdictions. Audit observations involving serious financial irregularities are treated as advance paras (AP) and subsequently developed into draft paras (DP) after taking into consideration the replies received from the concerned auditee organization and the Principal Accounting Officer (Secretary of the Ministry/Division). The DPs are considered to be included in the final audit report. Concerned Audit Directorate issues draft para to the controlling ministry and allows further time for the ministry to clarify, respond or take remedial action. The OCAG scrutinizes these DPs and incorporates in the audit reports after approval of the CAG. Alongside the traditional approach to carry out financial, compliance or regularity audits, OCAG is now conducting performance audit to determine economy, efficiency and effectiveness in the management of public resources.

In recent years, there has been increased use of IT in the government offices, as a result of which the scope for the IT audit has also been increased manifold. To keep pace with the vision of Digital Bangladesh OCAG Bangladesh has created a IT audit core group and is moving forward to creating an IT audit cell to foster the IT auditing activities.

b. What We Do



Public Sector Audit:

The OCAG is the secretariat of the SAI Bangladesh where broad policies and plans are designed, coordinated and evaluated. The OCAG conducts the post audits through ten separate and self contained Audit Directorates. The Directorates are organized on functional basis as shown below:

Sl.	Directorates	Auditing Areas	Existing Manpower
1.	Commercial Audit Directorate	All public sector entities and state owned enterprises (SOEs) including nationalized commercial banks (NCBs) and financial institutions, autonomous, semi-autonomous bodies and public holding companies	421
2.	Local and Revenue Audit Directorate	All civil government departments, local and statutory bodies including municipalities, city corporations, universities and the National Board of Revenue (NBR)	279
3.	Civil Audit Directorate	Office of the Controller General of Accounts (CGA), 6 Divisional Controller of Accounts offices, 49 Chief Accounts Offices, 58 District Accounts Offices and 418 Upazila Accounts Offices under the CGA	141
4.	Works Audit Directorate	Public works expenditures of the Public Works Department, Roads and Highways Department, Bangladesh Water Development Board, Bangladesh Power Development Board, Dhaka Electric Supply Authority, Water and Sewerage Authority, Bangladesh Civil Aviation Authority, Local Government Engineering Department, Education Engineering Department, Public Health Engineering Department and City Development Authorities	141
5.	Foreign Aided Projects Audit Directorate	All development and technical assistance programs and projects in the public sector funded by foreign aid	153
6.	Railway Audit Directorate	All establishments of Bangladesh Railway, office of the Additional Director General (Finance), Bangladesh Railway and offices under its administrative control	59
7.	Post, Telegraph and Telephone Audit Directorate	All establishments of the Postal Department, Bangladesh Telecommunications Company Limited, Bangladesh Telecommunication Regulatory Commission and the office of the Chief Accounts Officer, Ministry of Post and Telecommunication	143
8.	Defence Audit Directorate	All units/formations of the defence forces, including army, air force and navy, field services organizations like the Department of Meteorology, Geological Survey of Bangladesh, Controller General Defence Finance (CGDF) including the offices of the Defence Finance Department under the CGDF	108
9.	Mission Audit Directorate	All overseas missions under Ministry of Foreign Affairs, nationalized banks, shipping corporation offices and Biman Bangladesh Airlines offices operating abroad	25
10.	Performance Audit Directorate	Performance audit of selected bodies	22

What We Do

Pre Auditing Responsibilities:

Pre audit responsibilities are undertaken by the OCAg on the backdrop of prevalent control weaknesses and inadequate internal audit functions of the public sector organizations. The Offices of the Controller General of Accounts (CGA), Controller General Defence Finance (CGDF) and Additional Director General (Finance), Bangladesh Railway assist the CAG in pre-audit of all expenditures incurred by the government. These offices are also assigned with the responsibilities of compiling the accounts of the Government i.e. relevant Appropriation Accounts and the Finance Accounts. The main responsibilities of these offices are mentioned below:

Name of Office	Type of Accounts	Main Responsibilities	Existing Manpower
Controller General of Accounts (CGA)	Civil Accounts	<ul style="list-style-type: none">• Prepare monthly accounts of the government• Make payments for claims of all civil officers and staff of government• Prepare Appropriation Accounts and Finance Accounts of the government and place before CAG for approval• Ensure accuracy and timeliness of accounts• Maintain the Central Data Processing Unit (CDPU)• Administer all accounts offices including CAOs, DCAs, DAOs and UAOs• Prescribe forms and methods of keeping accounts with approval of CAG• Provide data and information regarding accounts according to requirements of Finance Division• Reconcile accounts with Bangladesh Bank/Sonali Bank	5365
Controller General Defence Finance (CGDF)	Defence Accounts	<p>Accounting:</p> <ul style="list-style-type: none">• Compile and consolidate periodical and annual accounts of the Defence Services receipts and expenditure• Prepare Appropriation Accounts relating to Defence forces• Issue necessary instructions to the Finance Controllers in matters of internal audit, accounts, procedure etc.• Supply/disburse and control of cash	1376

What We Do

Name of Office	Type of Accounts	Main Responsibilities	Existing Manpower
		<p>Audit Function:</p> <ul style="list-style-type: none"> • Carry out pre audit to suit individual service requirements • Assist the Directorate of Defence Audit when necessary • Scrutinize questions relating to interpretation of rules and regulations and appeals against advising decisions given by Finance Controllers <p>Financial Advice:</p> <ul style="list-style-type: none"> • Examine and render advice to defence services on 'Budget estimate and reviews' • Assist in scrutiny of all 'New budget measures' • Assist in processing cases with government which require government approval 	
Additional Director General (Finance)	Bangladesh Railway Accounts	<ul style="list-style-type: none"> • Render advice to administrative matters involving Bangladesh Railway (BR) finance and on policy of public service obligation • Maintain current accounts, monthly accounts of cash based transactions • Settle claims against BR • Consolidate BR Appropriation Accounts on expenditure against budget allocation • Prepare Finance Accounts including year end asset and liabilities • Prepare Subsidiary Accounts comprising of capital statement, balance sheet, profit and loss accounts • Maintain traffic accounts by Additional FA&CAO/Traffic Accounts routed through the pay and cash offices of East and West zones of BR • Finalize both development and non-development budget estimates and submitting budget proposal of BR to the government • Maintain Settlement Accounts of BR with adjustment to civil, defence and store accounts through central books and budget unit under FA&CAO (East) 	839

c. Constitutional Mandate

Constitution of the People's Republic of Bangladesh

Part-VIII

The Comptroller and Auditor-General

127. Establishment of office of Auditor-General

- (1) There shall be a Comptroller and Auditor-General of Bangladesh (hereinafter referred to as the Auditor-General) who shall be appointed by the President.
- (2) Subject to the provisions of this Constitution and of any law made by Parliament, the conditions of service of the Auditor-General shall be such as the President may, by order, determine.

128. Functions of Auditor-General

- (1) The public accounts of the Republic and of all courts of law and all authorities and officers of the Government shall be audited and reported on by the Auditor-General and for that purpose he or any person authorized by him in that behalf shall have access to all records, books, vouchers, documents, cash, stamps, securities, stores or other government property in the possession of any person in the service of the Republic.
- (2) Without prejudice to the provisions of clause (1), if it is prescribed by law in the case of any body corporate directly established by law, the accounts of that body corporate shall be audited and reported on by such person as may be so prescribed.
- (3) Parliament may by law require the Auditor-General to exercise such functions, in addition to those specified in clause (1), as such law may prescribe, and until provision is made by law under this clause the President may, by order, make such provision.
- (4) The Auditor-General, in the exercise of these functions under clause (1), shall not be subject to the direction or control of any other person or authority.

129. Term of office of Auditor-General

- (1) The Auditor-General shall, subject to the provisions of this article, hold office for five years from the date on which he entered upon his office, or until he attains the age of sixty five years, whichever is earlier.
- (2) The Auditor-General shall not be removed from his office except in like manner and on the like ground as a judge of the Supreme Court.
- (3) The Auditor-General may resign his office by writing under his hand addressed to the President.
- (4) On ceasing to hold office the Auditor-General shall not be eligible for further office in the service of the Republic.

Constitutional Mandate

130. Acting Auditor-General

At any time when the office of Auditor-General is vacant, or the President is satisfied that the Auditor-General is unable to perform his functions on account of absence, illness or any other cause, the President may appoint a person to act as Auditor-General and to perform the functions of that office until an appointment is made under article 127 or, as the case may be until the Auditor-General resumes the functions of his office.

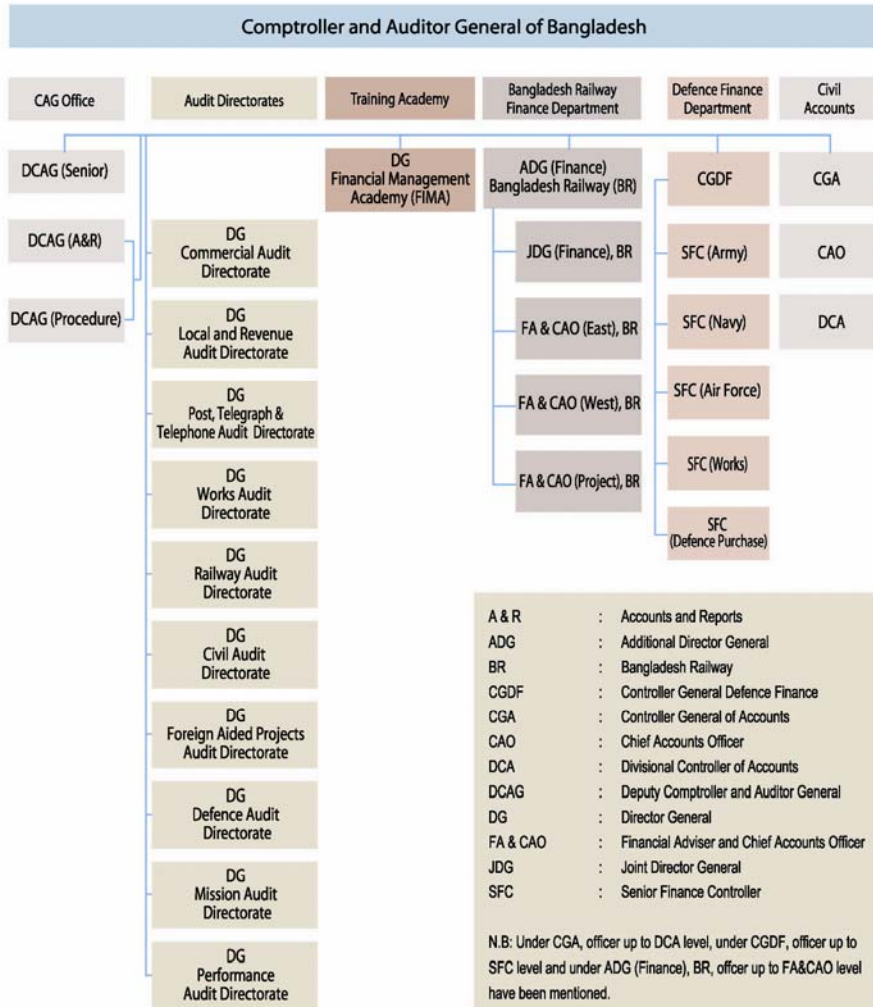
131. Form and manner of keeping public accounts

The public accounts of the Republic shall be kept in such form and in such manner as the Auditor-General may, with the approval of the President, prescribe.

132. Reports of Auditor-General to be laid before Parliament

The reports of the Auditor-General relating to the Reports of public accounts of the Republic shall be submitted to the President, who shall cause them to be laid before Parliament.

d. Organogram



e. Human Resources



Supreme Audit Institution requires special competence for its workforce to conduct widely varied auditing tasks. OCAG considers the skills and expertise of its staff as the most important aspect to perform its duties. The office possesses a wide range of educational backgrounds among its employees which is often very useful for carrying out the audit activities especially in performance auditing, environmental auditing and the emerging auditing issues.

The OCAG has given its highest priority to increase its expertise on public financial management including accounting and auditing qualifications and training. Officers belonging to the Audit and Accounts Cadre are members of the Bangladesh Civil Service (BCS). The other category of staff are recruited directly by the OCAG. Officers and staff of the OCAG have varied academic backgrounds - science and humanities, finance, accounting, as well as business administration. In order to build a strong competence based human capital, OCAG encourages acquiring of degrees like Certified Information Systems Auditor (CISA), Certified Information Security Manager (CISM), Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) and other relevant certifications.

OCAG Human Resources

	Class	Male	Female	Total
Officer	I	434	51	485
	II	168	24	192
Staff	III	626	166	792
	IV	115	29	144
	Total	1343	270	1613

Approximately one thousand six hundred officers and staff are presently working in the OCAG of which seventeen percent are women. The following table depicts the officer-staff gender ratio. However, in job placement, training and other opportunities Women officials have equal access.

3. OUR ACTIVITIES

a. Annual Audit



In 2010 OCAG covered audits of various sectors of the government for the financial year 2007-08. Special emphasis was given to cover major areas of risk including public works, education, communication etc. In preparing these reports attention was given to the quality of audit to ensure transparency and accountability of the government earnings and expenditure. It is expected that, maximum utilization of government funds and minimizing wastage of public resources would be assured in the sectors audited. A list of eight annual audit reports is given below with the title of the reports.

Audit Directorate	Title of the Report	Financial Year	Ministry
Works Audit Directorate	Report on the accounts of 12 Executive Engineers' offices and one Superintending Engineer's office of Public Works Department	2007-08	Ministry of Housing and Public Works
	Report on the accounts of 11 Executive Engineers' offices of Education Engineering Department	2004-07	Ministry of Education
Commercial Audit Directorate	Report on the accounts of 14 state owned enterprises	2006-07	Ministry of Power, Energy and Mineral Resources
	Report on the accounts of seven organizations of five ministries	2007-08	Civil Aviation and Tourism; Agriculture; Ports, Shipping and Inland Water Transport; Food and Disaster Management; Communication
	Report on the accounts of the 25 state owned enterprises	2007-08	Ministry of Power, Energy and Mineral Resources
	Report on the accounts of nationalized commercial banks and financial institutions	2007-08	Finance Division, Ministry of Finance
Railway Audit Directorate	Report on the accounts of Bangladesh Railway	2007-08	Ministry of Communication
Local and Revenue Audit Directorate	Report on the Ministry of Finance	2007-08	Ministry of Finance

b. Special/Performance Audit



Apart from annual audit (comprising regularity audits), special audit, performance audit and audit on the ministries under the Medium Term Budget Framework (MTBF) has also been conducted by the OCAG on issues of national interest and concerns. In 2010, one performance audit report, nine special audit reports and two MTBF ministry system audit reports have been finalized. The summary is given below:

Audit Directorate	Title of the Report	Ministry	Type of Report
Works Audit	Performance Audit report on Overall activities of the Roads and Highways Department (2003-2006)	Ministry of Communication	Performance Audit
Local and Revenue Audit	Report on Export subsidies and cash incentives provided to the exporters through nine commercial banks (2005-2007)	Finance Division, Ministry of Finance	Special Audit
	Report on Money refunded through the office of the Director General, Duty Exemption and Drawback Office (DEDO) and various banks (2002-2007)	Internal Resources Division, Ministry of Finance	
	Report on Commissioner of Taxes, Large Taxpayer Unit (LTU)-VAT, Dhaka (2005-2006)	Internal Resources Division, Ministry of Finance	
	Commissioner of Taxes, Large Taxpayer Unit (LTU)-Tax, Dhaka (2006-07)	Internal Resources Division, Ministry of Finance	
	Report on Customs Bond Commissionerate (2006-2007)	Internal Resources Division, Ministry of Finance	
	Report on Customs Bond Commissionerate (2007-2008)	Internal Resources Division, Ministry of Finance	
	Report on Commissioner of Taxes, Large Taxpayer Unit (LTU)-VAT, Dhaka (2006-2007)	Internal Resources Division, Ministry of Finance	
Works Audit	Report on Vehicle Maintenance and Fuel Usage in 12 Executive Engineers' offices of Roads and Highways Department (2004-2008)	Ministry of Communication	
Works Audit	Report on the accounts of the Wood Workshop of Public Works Department (1999-2004)	Ministry of Housing and Public Works	
Works Audit	Report on the Implementation of Medium Term Budget Framework (MTBF) System (2007-2008)	Ministry of Water Resources	MTBF Ministry System Audit
Local and Revenue Audit	Report on the Implementation of Medium Term Budget Framework (MTBF) System (2007-2008)	Ministry of Environment and Forest	

c. Audit Reports Highlighted



Ministry of Housing and Public Works

Report: Report on the (1) Accounts of the 12 Executive Engineers' offices and one Superintending Engineer's office of Public Works Department for the financial year 2007-2008 and (2) Accounts of the Wood Workshop for the financial year 1999-2004 of the Ministry of Housing and Public Works include 18 audit observations amounting to Tk. 1120.7 million.

Major observations:

1. Completion of works without floating formal tenders and irregular payment amounting to Tk. 70.1 m despite the price of supplementary items was 15% above the contract value.
2. Loss of Tk. 588.8 m due to non-realization of sale proceeds of abandoned houses and non-collection of rent in due time.
3. Liability amounting to Tk. 41.7 m due to issue of work orders without any budget allocation.
4. Misappropriation of Tk. 60.9 m using unacceptable quotations and issuing cheques to contractors without preparing estimates, tender quotation, work order, Measurement Book and collection of goods in the store.
5. Misappropriation of Tk. 19.6 m showing petty purchases abusing financial power.
6. Violation of codes and rules through illegal Transfer Entry Orders (TEO) to 'miscellaneous collateral security' amounting to Tk. 156.9 m received from various government and autonomous organizations.
7. Completion of monthly accounts incorporating irregular balance of Tk. 111.8 m in 'miscellaneous collateral security' head.

Significant observations elaborated:

1. Liability amounting to Tk. 41.7 m due to issue of work order without any budget allocation.

The office of an Executive Engineer of the Public Works Department received allocation for Tk. 326.8 m but issued work order amounting to Tk. 368.5 m. According to the regulations issued by the Ministry of Housing and Public Works, tender invitation without allocation of budget is irregular. As a result, government has incurred a liability of Tk. 41.7 m.

2. Misappropriation of Tk. 60.9 m using unacceptable quotations and issuing cheques to contractors without preparing estimates, tender quotation, work order, Measurement Book and collection of goods in the store.

Audit Reports Highlighted

The office of another Executive Engineer of the Public Works Department misappropriated Tk. 60.9 m by issuing 62 cheques to four contractors during January to December, 2003. A total of 7034 unacceptable quotations within the limit of ten thousand taka have been used. There were no estimates, tender quotation, work order, record in Measurement Book and collected goods in store against those quotations. According to the regulations issued by the Central Public Works Department code, signed receipt of 62 cheques against the said amount of money was not found in the register. Audit also revealed that the addresses of the contractors were not valid.

Audit Reports Highlighted

Ministry of Education

Report: Report on the Accounts of the eight Executive Engineers' offices of the Education Engineering Department of Ministry of Education for the financial year 2004-2007 includes 11 audit observations amounting to Tk. 236.4 million.

Major observations:

1. Loss of Tk. 162.4 m due to irregular tender invitation, selection of contractors and awarding of work violating Public Procurement Regulation (PPR)-2003.
2. Loss of Tk. 27.3 m due to irregular payment made to the contractors without completion of the work.
3. Irregular expenditure of Tk. 10.5 m without the financial authority using revised estimate, supplementary tenders and sanction of extra works.

Significant observation elaborated:

Loss of Tk. 27.3 m due to irregular payment made to the contractor without completion of the work.

The office of an Executive Engineer of the Education Engineering Department implemented extension work of five government high schools in the Dhaka zone. In evaluating the progress of work, it has been found that, payment amounting to Tk. 27.3 m was made without any construction. It was observed that, respective allocation has been irregularly withdrawn for probable future expenditure and shown paid without completion of work. Payment without completion of work has been a gross violation of financial propriety and a serious financial irregularity.

Audit Reports Highlighted

Ministry of Power Energy and Mineral Resources

Report: Report on the (1) Accounts of the 14 organizations under the Ministry of Power, Energy and Mineral Resources for the financial year 2003-04 to 2006-07 and (2) Accounts of 25 organizations under the Ministry of Power, Energy and Mineral Resources for the financial year 2003-04 to 2007-08 include 26 audit observations amounting to Tk. 8433.9 million.

Major observations:

1. Revenue loss of Tk. 990.4 m in two years as Government of Bangladesh's margin on sale price of gas calculated on incorrect classification of sector wise gas sales.
2. Loss of Tk. 6403.3 m in two years due to 'system loss' in distribution of gas.
3. Loss of Tk. 134 m due to abnormal shortage of Jet A-1 fuel while transportation.
4. Loss of Tk. 65.2 m due to transportation of fuel at a higher rate fixed by Bangladesh Petroleum Corporation without any tender.

Significant observations elaborated:

1. Loss of Tk. 6403.3 m in two years due to 'system loss' in distribution of gas.

Due to huge wastage, inefficiency and mismanagement of Titas Gas Transmission and Distribution Company limited, there has been a system loss of 700 million cubic meter of gas every year. In two consecutive years the total amount of loss stands at Tk. 6403.3 m. Acceptable limit of 'system loss' is (\pm) 2%, but lack of effective and proper monitoring, inefficient management and pervasive ill practices of the personnel in the company caused such huge losses to the government.

2. Loss of Tk. 134 m due to abnormal shortage of Jet A-1 fuel while transportation.

While auditing the Bangladesh Petroleum Corporation (BPC) office in Chittagong for the year 2005-06 and 2006-07, it has been found that loss of Tk. 134 m has been incurred due to shortage of Jet A-1 fuel during transportation from Godnail depot to Kurmitola aviation depot. Acceptable limit for shortage/loss of fuel, in case of supply of fuel by tank lorry to the dealer points is 0.2%, but there is no acceptable limit for transportation of fuel from one depot to another depot. During 2002-2005, average transit loss of fuel was 0.25% for transportation from Chittagong main depot to Godnail depot. But in case of transportation from Godnail to Kurmitola, which is one tenth of the distance between Chittagong and Godnail, transit loss was 0.86%. Further investigation reveal that, seal of the tank lorry was found broken while unloading and the matter was not intimated to the appropriate authority.

Audit Reports Highlighted

Finance Division, Ministry of Finance

Report: Report on (1) Export subsidies and cash incentives provided to the exporters through nine commercial banks for the financial year 2005-2007 and (2) Accounts of nationalized commercial banks and financial institutions for the financial year 2007-2008 include 40 audit observations amounting to Tk.4667 million.

Major observations:

1. Irregular payment of Tk. 352.9 m as export subsidy/cash incentives for exporting the kernel of Betel-nut and Mahogany.
2. Non-repatriation of USD 1.62 m (Tk. 104.9 m) against export of frozen fish and irregular payment of cash incentives of Tk. 86.8 m for partly repatriated foreign currency.
3. Non-repatriation of Tk. 34.2 m (USD 0.53 m) against export of excess amount of goods and irregular payment of cash incentives of Tk. 14.6 m against excess export of goods as the foreign currency has not been repatriated.
4. Irregular payment of cash incentives amounting to Tk.90.7 m against repatriation of foreign currency for exported goods as the application for cash incentives was submitted after the deadline.
5. Loss of Tk. 883.8 m due to non-realization of liabilities and purchase of export bill violating rules and regulations and irregularly opening back to back Letter of Credit (LC).
6. Loss of Tk. 261.6 m due to opening of LC without project equity and having unpaid liabilities.
7. Loss of Tk. 138.2 m due to non-realization of loan liabilities despite rescheduling and irregular opening of import LC.

Significant observation elaborated:

Non-repatriation of USD 1.62 m (Tk. 104.9 m) against export of frozen fish and irregular payment of cash incentives of Tk. 86.8 m for partly repatriated foreign currency.

While auditing the branches of a commercial bank for the year 2005-07 on the payment of cash incentives to the exporters, it has been found that USD 16.2 m has been repatriated against the export value for frozen fish amounting to USD 17.8 m. As a result USD 1.62 m (Tk. 104.9 m) remained un-repatriated. Moreover, exporters are eligible for 10% cash incentives on repatriated values' Fee on Board (FOB). The 'proceeds realization certificate' attached to the application by the exporter indicated that despite non-repatriation of the total foreign currency on exports, Tk. 86.8 m has been paid as cash incentives incurring losses to the government.

Audit Reports Highlighted

Ministry of Communication

Report: Annual audit report on (1) Accounts of Bangladesh Railway for the financial year 2007-2008 and (2) Special audit report on the Vehicle Maintenance and Fuel Usage in 12 Executive Engineers' offices of Roads and Highways Department for the financial year 2004-2008 include 24 audit observations amounting to Tk. 1268.8 million.

Major observations:

1. Loss of Tk. 82.5 m in two years due to realization of license fee at a lower rate from a private mobile phone company.
2. Excess expenditure of Tk. 220.5 m than the budget allocated in the project proposal for supply of stone ballast.
3. Loss of Tk. 154.7 m due to irregular purchase of steel sleeper at a higher price than that was fixed in the revised project proposal.
4. Irregular expenditure of Tk. 248.5 m without prior approval of the project proposal or project concept paper.
5. Irregular expenditure of Tk. 130.4 m for vehicle maintenance and fuel usage without allocation of budget.
6. Financial impropriety amounting to Tk. 218.4 m due to lack of proper documentation for vehicle repair works.
7. Irregular expenditure of Tk. 0.76 m for purchase of various items of goods and conduct repair works from the budget allocated to a different office.

Significant observations elaborated:

1. Loss of Tk. 82.5 m in two years due to realization of license fee at a lower rate from a private mobile phone company.

While auditing the office of the Divisional Land-Asset offices of Pakshi and Lalmonirhat under the Chief Estate Office, West Zone of Bangladesh Railway, it has been found that, mobile phone companies have to pay license fee for divisional towns at a rate of Tk. 335 per square feet and for other areas Tk. 223 per square feet. This rate is fixed according to the rule 8.4 of the Land Management Act-2006. It was revealed that a mobile phone company paid a lower rate than the rate fixed by the Act. As a result government incurred a total loss of Tk. 82.5 m for the financial years 2006-2007 and 2007-2008.

2. Irregular expenditure of Tk. 130.4 m for vehicle maintenance and fuel usage without allocation of budget.

While conducting the special audit on vehicle maintenance and fuel usage of Roads and Highways Department, it has been found that during the four years of 2004-05 to 2007-08, Tk. 87.3 m was spent for fuel charge and Tk. 43.1 m was spent for vehicle maintenance without any budget allocations. Such expenditures were incurred without specific allocations with the expectation of probable future allocation of budget.

Audit Reports Highlighted

Internal Resources Division, Ministry of Finance

Large Taxpayer Unit, Tax/VAT

Report: Special audit report on (1) Large Taxpayer Unit (LTU)-Value Added Tax, Dhaka office for the financial year 2005-2006 and (2) Large Taxpayer Unit (LTU)-Tax, Dhaka office of the Internal Resources Division, Ministry of Finance for the financial year 2006-2007 include 21 audit observations amounting to Tk. 2008.2 million.

Major observations:

1. Revenue loss of Tk. 127.1 m as duty exemption due to clearing of goods based on previously declared price.
2. Revenue loss of Tk. 1024.9 m due to Value Added Tax (VAT) not paid on processed tobacco.
3. Revenue loss of Tk. 445.9 m due to non-declaration of the actual price base at the production stage and non-payment of accrued supplementary taxes and VAT.
4. Tk. 280.1 m as income tax less paid due to the assessment of a private commercial bank was done based on the accounts that included the expenditures which, were not actual expenditures.
5. Revenue loss of Tk. 23 m due to non-assessment of minimum tax amount according to the Income Tax Ordinance-1984.
6. Revenue loss of Tk. 18 m due to submission of income tax return based on assessment of income where non-deductible expenditures were deducted.

Significant observations elaborated:

1. Revenue loss of Tk. 127.1 m as duty exemption due to clearance of goods based on previously declared price.

While auditing the office of the Large Taxpayer Unit (LTU)-VAT, Dhaka zone it revealed that, on the price declaration statement (VAT-1) provided by the respective organization and approved by the divisional officer, VAT is applicable to the products on the basis of the price of purchased/imported raw materials. Afterwards, price of the purchased/imported raw materials increased but no corrective price declaration was submitted or the new price was not declared. As a result, due to the price increase of purchased/imported raw materials, the higher price rate was not considered while deciding the taxable price base of the products. Raw materials have been cleared from the port showing the lower price but VAT exemption was received on the basis of the increased price. As a result of this, government incurred a loss of Tk. 127.1 as VAT exemption.

2. Tk. 280.1 m as income tax less paid due to the assessment of a private commercial bank was done based on the accounts that included the expenditures which in fact were not actual expenditures.

While auditing the office of the Large Taxpayer Unit (LTU)-Tax, Dhaka zone it has been found that, according to Income Tax Ordinance-1984, 53-F less amount of tax was deducted at source on the interest of deposit which has been incorporated in the profit and loss accounts. Moreover, in gratuity head more expenditure was claimed than the real expenditure. These expenditures are not deductible according to the Income Tax Ordinance-1984. The bank did not add these amounts with its total income; as a result government incurred a revenue loss of Tk. 280.1 m.

Audit Reports Highlighted

Internal Resources Division, Ministry of Finance
Customs Bond Commissionerate
Duty Exemption and Drawback Office (DEDO)

Report: Special audit report on (1) Customs Bond Commissionerate, Dhaka for the financial year 2006-07 and (2) Customs Bond Commissionerate, Chittagong office and other regional offices for the financial year 2007-08 include 18 audit observations amounting to Tk. 760 million. On the other hand Special audit report on the Duty Exemption and Drawback Office (DEDO) and eleven branches of six banks for the financial year 2002-07 include 20 audit observations amounting to Tk. 631.4 million.

Major observations:

1. Revenue loss of Tk. 27 m due to production of poly bag beyond the standard thickness and showing higher amount raw material usage without complying with the prescribed 'input-output coefficient'.
2. Loss of Tk. 0.61 m due to non-realization of advance income tax fixing of tariff of products under home consumption bond.
3. Revenue loss of Tk. 0.57 m due to unloading of excess goods using forged documents.
4. Loss of Tk. 326.2 m due to goods imported under home consumption bond not included in the entry register and non-clearance of goods without Ex-Bond.
5. Revenue loss of Tk. 289.4 m due to not clearing of goods imported under home consumption bond despite expiry of bonding duration.
6. Loss of Tk. 30 m due to not clearing of bonded goods imported without customs duty despite expiry of bonding duration.
7. Revenue loss of Tk. 33.1 m due to clearing of goods imported without customs duty through Utilization Permission (UP) for producing export oriented goods and showing excess material usage than the DEDO coefficient.
8. Loss of Tk. 12.9 m due to irregular drawback of customs duty and VAT based on export of fabrics even before clearing of the fabrics imported under bond commissionerate Utilization Permission (UP).
9. Revenue loss of Tk. 11.5 m due to irregular drawback of customs duty and VAT for export of fabrics shown as manufacturing. In Utilization Permission (UP) while clearing of the same fabrics manufacturing was not shown.
10. There is an 'input-output coefficient' for drawback payment if properly applied by the beneficiary within the deadline. But drawback was paid based on the 'input-output coefficient' on the application submitted at a later date of deadline. As a result a revenue loss of Tk. 26 m was incurred by the government.

Audit Reports Highlighted

Significant observations elaborated:

1. Revenue loss of Tk. 27 m due to production of poly bag beyond the standard thickness and showing higher amount of raw materials usage without complying with the prescribed 'input-output coefficient'.

While auditing the office of the Customs Bond Commissionerate, Dhaka office it has been found that, poly bag manufacturing companies under Dhaka office showed the amount of raw materials used based on single thickness and DEDO coefficient. The companies manufacturing poly bag under the regional offices have shown the thickness twice of Dhaka area companies and usage of raw materials usage was high as well. Utilization Permission (UP) was also received based on the higher consumption. Primarily only three companies were analyzed for the malpractice. As a result, revenue loss of Tk. 27 m was incurred for the government. Said amount would have been much higher had all companies were included in the analysis.

2. Revenue loss of Tk. 326.2 m due to goods imported under home consumption bond not included in the entry register and non-clearance of goods without Ex-Bond.

While auditing the office of the Customs Bond Commissionerate, Dhaka office it has been found that, three companies have imported goods under home consumption bond against 17 bills of entries. Respective entries were not registered in the bond register and goods were not cleared through Ex-bond. According to the Customs Act -1969 goods imported in this process must be cleared through Ex-bond paying the required customs duty and taxes. Due to the violation, government has incurred a revenue loss of Tk. 326.2 m.

Audit Reports Highlighted

Ministry of Civil Aviation and Tourism

Report: Report on the accounts of Biman Bangladesh Airlines and Bangladesh Tourism Corporation of the Ministry of Civil Aviation and Tourism for the financial year 2007-2008 includes five audit observations amounting to Tk.373.5 million.

Major observations:

1. Loss of Tk. 207.4 m due to implementation of disproportionate agreement by Biman authority and unnecessary purchase of Air Frame without 'S2 ACS' engines remaining unused.
2. Loss of Tk. 0.81 m due to not depositing the total amount of money accrued on sales of ticket by the sales agent.
3. Loss of Tk. 19.1 m due to non-realization of lease premium from the lease holder.

Significant observation elaborated:

Loss of Tk. 207.4 m due to implementation of disproportionate agreement by Biman authority and unnecessary purchase of Air Frame without the 'S2 ACS' engines remaining unused.

While auditing the office of the Biman Bangladesh Airlines, Dhaka office it has been found that, Biman Bangladesh Corporation and Pacific Aircraft Incorporation made an agreement in 1991. Later in 2002 and 2004 two supplementary agreements were signed which expired in 2007. After the expiry of agreement, it was expected that it would be renewed or the air craft would be returned. But Biman authority purchased only the air frame spending Tk. 207.4 m without the required three 'S2 ACS' engines. These air frames were not used at all and the money was wasted.

Audit Reports Highlighted

Ministry of Agriculture

Report: Report on the accounts of the Bangladesh Agricultural Development Corporation (BADC) and Barind Multipurpose Development Authority (BMDA) of the Ministry of Agriculture for the financial year 2007-2008 include five audit observations amounting to Tk. 340.5 million.

Major observations:

1. Loss of Tk. 14.3 m due to payment of bill without completion of work and irregular return of the pumps and motors to the contractor relating to Double Lifting Irrigation Project (First phase).
2. Loss of Tk. 196.4 m due to issuance of purchase order for Triple Super Phosphate (TSP) fertilizer to the highest bidder instead of the lowest violating Public Procurement Regulation-2003.
3. Loss of Tk. 106.3 m due to non-realization of the value of deficit amount of imported TSP fertilizer.

Significant observation elaborated:

Loss of Tk. 106.3 m due to non-realization of the value of deficit amount of imported TSP fertilizer.

While auditing the head office of the Bangladesh Agriculture Development Corporation (BADC) it has been found that, two companies were given purchase order for purchase of 26,250 Metric Tons (MT) and 24,750 MT of fertilizer. Accordingly, letter of credit was issued favoring the two companies. As per agreement the said amount should have been handed over to BADC. But the receipt certificates of the BADC authority showed that the two companies did not supply 813.8 MT and 360 MT respectively. Total value of the deficit amount of fertilizer stands at Tk. 106.3 m.

Audit Reports Highlighted

Ministry of Water Resources

Report: Report on the accounts of 20 offices and 22 projects including Bangladesh Water Development Board, Joint River Commission, Water Resources Planning Organization (WARPO), 16 Executive Engineers' offices of the Ministry of Water Resources for the financial year 2007-2008 includes 16 audit observations amounting to Tk. 6065.6 m.

Major observations:

1. Tk. 2093.3 m remained unspent against the allocated budget of 14514.9 m.
2. Tk. 1149.2 m remained unspent despite Tk. 8563.1 m released from the annual development budget.
3. Completion of work of Tk. 832.4 m without proper tender procedure through split-up of work to avoid approval of higher authority and Public Procurement Regulation-2003.

Significant observation elaborated:

Tk. 2093.3 m remained unspent against the allocated budget of 14514.9 m.

While auditing the accounts of the Ministry of Water Resources it has been found that, total development and non-development budget for the financial year 2007-2008 was 14514.9 m. According to the financial documents of the ministry Tk. 12421.6 m was spent. On the other hand, according to the office of the Chief Accounts Officer (CAO), Ministry of Water Resources, total expenditure during the year was Tk. 13685.7 m. As a result, there has been a discrepancy of Tk. 1264.1 m. Ministry of Water Resources claimed that Tk. 1264.1 m included in the CAO's accounts was not the expenditure of the ministry. From the ministry accounts, it has been found that due to the unspent budget of Tk. 2093.3 m total expenditure was 14.4% less than the total budget of the ministry.

Audit Reports Highlighted

Ministry of Communication Performance Audit Report

Report: Performance audit report on the Overall activities of the Roads and Highways Department for the financial year 2003-2004 to 2005-2006 includes 35 observations.

Major observations:

1. Irregular payment of unpaid bill without technical and financial evaluation from emergency fund of Tk. 500 million.
2. Creation of jobs showing incomplete of road construction without maintaining any schedule of works.
3. Sudden increase of yearly loss at 540% breaching the last three year's loss trends and increase of repair works and subsequent expenditure.

Significant observation elaborated:

Sudden increase of yearly loss at 540% breaching the last three year's loss trends and increase of repair works and subsequent expenditure.

Normally roads condition deteriorates due to natural wear and tears, low quality of constructions and heavy traffic. Without natural calamities, yearly trend of road destruction is expected to be in a linear form. From 2000 to 2003, analysis of 16403 km roads revealed that 70% roads were in good condition, 27% were in fair condition and only 3% were in bad condition. In 2004, survey of 11,600 km roads revealed that 37% were in good condition, 30% medium condition, 16% fair condition and 17% in bad condition. Rate of increase of roads in bad condition in 2004 was 540%. This increase was unusually high, compared to the status of previous three years. The repair and maintenance expenditure increased significantly due to this.

d. Audit Reports Under Process



Following audit reports are in the process of finalization by the OCAG. Three special audit reports, one performance audit report and one issue based audit report are expected to be ready for submission to the Hon'ble President. Apart from these, there are annual audit reports as well which are in the pipeline.

No.	Title of Report	Type of Report	Audit Directorate	Ministry
1.	Performance audit report on Bangladesh Standards and Testing Institute (BSTI), (2007-2008)	Performance Audit	Local and Revenue Audit	Ministry of Industry
2.	Vehicle Management System of Dhaka and Chittagong City Corporation, (2003-2008)	Issue Based Audit	Local and Revenue Audit	Ministry of Local Government, Rural Development and Cooperatives
3.	Commissioner of Taxes, Large Taxpayer Unit (LTU)-VAT, Dhaka (2007-2008)	Special Audit	Local and Revenue Audit	Internal Resources Division, Ministry of Finance
4.	Report on the Land Customs Stations' Revenue Income and Accounts Management (2006-2009)	Special Audit	Local and Revenue Audit	Internal Resources Division, Ministry of Finance
5.	Report on the Financial Management of the Export Promotion Bureau (2006-2010)	Special Audit	Local and Revenue Audit	Ministry of Commerce

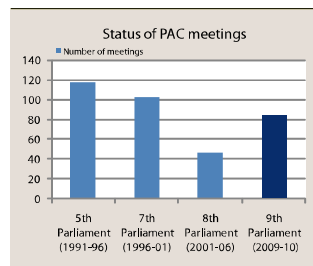
4. PARLIAMENTARY FINANCIAL COMMITTEES AND THE OCAG



The Comptroller and Auditor General, after apprising the Prime Minister in compliance with the Rules of Business, submits the audit reports to the Hon'ble President of the Republic who causes them to be laid before the Parliament in accordance with Article 132 of the Constitution. The Public Accounts Committee (PAC) mandated by the Article 76 (1) (a) of the constitution scrutinizes the CAG's reports.

The PAC selects important observations of the audit reports for detailed examination and holds hearings to the Principal Accounting Officers i.e. the Secretaries of different ministries/divisions. It makes recommendations and submits reports to the Parliament. OCAG provides necessary support to PAC in its effective functioning. When the full committee meeting is held, the CAG remains present as 'amicus curie' in addition to the related officers of the respective Audit Directorates and make clarifications to the committee in its deliberations. Officers of OCAG attached in the Parliament assist the committee in preparation of reports of the PAC. Concerned officers of the OCAG remain present in the meetings of the Public Undertakings Committee (PUC) and Estimates Committee (EC) when they are requested to.

a. Public Accounts Committee (PAC) Meetings



The Public Accounts Committee (PAC) of the 9th Parliament has undertaken an unprecedented step in resolving the existing undiscussed audit reports. Because of the proactive approach by the PAC a large number of audit observations included in these reports have been discussed in 2009-2010. This initiative has created a momentum in overall public financial management ensuring better transparency and accountability.

Since the independence of Bangladesh OCAG submitted approximately 900 audit reports to the Parliament. Among those, 322 reports were discussed up to the 8th Parliament. The present PAC started with remaining 490 reports. Later, 78 new reports have been submitted to the Parliament for discussion. These reports include 12,765 audit

observations to be discussed by the PAC. The PAC took great initiatives to overcome this backlog as soon as possible. With a pragmatic approach by the Chairman, four subcommittees were constituted for speedy disposal of the undiscussed audit observations.

In 2010 the Public Accounts Committee (PAC) and the subcommittees of the PAC of the 9th Parliament held the following meetings to discuss the status of the audit reports of various ministries and divisions:

Parliamentary Financial Committees and the OCAG

Public Accounts Committee:

No.	Meeting Date	Discussed audit reports	Audit Directorate
1.	5th meeting, January 5, 2010	<ul style="list-style-type: none"> • Ministry of Communication, 2001-2002 • Special audit report on National University, Gazipur, 2001-02 to 2002-03 • Ministry of Finance, 2001-2002 	<ul style="list-style-type: none"> • Railway Audit • Local and Revenue Audit • Commercial Audit
2.	6th meeting, January 18, 2010	<ul style="list-style-type: none"> • Ministry of Primary and Mass Education, 2002-2003 • Special audit report on Revenue management of four Metropolitan City Development Authorities, Ministry of Housing and Public Works, 2001-02 to 2002-03 	<ul style="list-style-type: none"> • Foreign Aided Projects Audit • Works Audit
3.	7th meeting, February 18, 2010	<ul style="list-style-type: none"> • Special audit report on National University, Gazipur, 2001-02 to 2002-03 • Special audit report on Bangladesh Bank, Ministry of Finance, 2002 • Ministry of Power, Energy and Mineral Resources, 2002-03 	<ul style="list-style-type: none"> • Local and Revenue Audit • Commercial Audit
4.	8th meeting, April 1, 2010	<ul style="list-style-type: none"> • Finalizing working procedure of the committee • Set responsibilities of the sub-committees 	
5.	9th meeting, April 7, 2010	<ul style="list-style-type: none"> • Ministry of Primary and Mass Education, 1999-2000 to 2003 • Ministry of Power, Energy and Mineral Resources, 2005-06 	<ul style="list-style-type: none"> • Foreign Aided Projects Audit • Works Audit
6.	10th meeting, April 8, 2010	<ul style="list-style-type: none"> • Special audit report on Large Tax Payer Unit (LTU), Internal Resources Division, Ministry of Finance, 2005-06 • Ministry of Local Government, Rural Development and Cooperatives and Ministry of Health and Family Welfare, 2003-04 	<ul style="list-style-type: none"> • Local and Revenue Audit • Foreign Aided Projects Audit
7.	11th meeting, April 19, 2010	<ul style="list-style-type: none"> • Ministry of Post and Telecommunication, 2005-06 • Ministry of Power, Energy and Mineral Resources, 2005-06 • Ministry of Power, Energy and Mineral Resources, 2003-04 	<ul style="list-style-type: none"> • Post, Telegraph and Telephone Audit • Foreign Aided Projects Audit • Works Audit
8.	12th meeting, April 21, 2010	<ul style="list-style-type: none"> • Performance audit report on Bio-diversity conservation and tourism development of Saint Martin Island 	<ul style="list-style-type: none"> • Local and Revenue Audit
9.	13th meeting, May 3, 2010	<ul style="list-style-type: none"> • Ministry of Local Government, Rural Development and Cooperatives, 1997-98 • Ministry of Finance, 2000-2001 	<ul style="list-style-type: none"> • Works Audit • Commercial Audit
10.	14th meeting May 6, 2010	<ul style="list-style-type: none"> • Ministry of Local Government, Rural Development and Cooperatives, 2004-05 • Finance Division, Ministry of Finance, 1999-2000 	<ul style="list-style-type: none"> • Works Audit • Foreign Aided Projects Audit • Commercial Audit
11.	15th meeting, May 23, 2010	<ul style="list-style-type: none"> • Report on eight foreign aided projects under six ministries, 2003-04 	<ul style="list-style-type: none"> • Foreign Aided Projects Audit
12.	16th meeting, May 24, 2010	<ul style="list-style-type: none"> • Ministry of Power, Energy and Mineral Resources, 1995-97 	<ul style="list-style-type: none"> • Commercial Audit
13.	17th meeting, May 26, 2010	<ul style="list-style-type: none"> • Ministry of Communication, 2003-04 	<ul style="list-style-type: none"> • Foreign Aided Projects Audit
14.	18th meeting, May 31, 2010	<ul style="list-style-type: none"> • Special audit report on Customs Bond Commissionerate, Internal Resources Division, Ministry of Finance, 1997-2002 	<ul style="list-style-type: none"> • Local and Revenue Audit
15.	19th meeting, June 1, 2010	<ul style="list-style-type: none"> • Special audit report on Land management of Bangladesh Railway, 2002-2003 	<ul style="list-style-type: none"> • Railway Audit
16.	20th meeting, June 3, 2010	<ul style="list-style-type: none"> • Ministry of Power, Energy and Mineral Resources, 2004-2005 	<ul style="list-style-type: none"> • Works Audit
17.	21st meeting, June 7, 2010	<ul style="list-style-type: none"> • Ministry of Power, Energy and Mineral Resources, 2000 	<ul style="list-style-type: none"> • Commercial Audit
18.	22nd meeting, June 8, 2010	<ul style="list-style-type: none"> • Ministry of Law, Justice and Parliamentary Affairs, 2000 	<ul style="list-style-type: none"> • Local and Revenue Audit
19.	23rd meeting, June 9, 2010	<ul style="list-style-type: none"> • Ministry of Education, 1991-92 to 1998-99 	<ul style="list-style-type: none"> • Foreign Aided Projects Audit
20.	24th meeting, June 15, 2010	<ul style="list-style-type: none"> • Ministry of Jute, 2000-2001 	<ul style="list-style-type: none"> • Commercial Audit

Parliamentary Financial Committees and the OCAG

Public Accounts Committee:

No.	Meeting Date	Discussed audit reports	Audit Directorate
21.	25th meeting, June 16, 2010	<ul style="list-style-type: none"> Special audit report on the accounts of 17 offices of Forest Department, 1990-96, Ministry of Forest and Environment 	<ul style="list-style-type: none"> Local and Revenue Audit
22.	26th meeting, June 17, 2010	<ul style="list-style-type: none"> Special audit report on Housing management of Bangladesh Railway, 2002-2003 	<ul style="list-style-type: none"> Railway Audit
23.	27th meeting, June 20, 2010	<ul style="list-style-type: none"> Internal Resources Division, Ministry of Finance, 2003-04 	<ul style="list-style-type: none"> Local and Revenue Audit
24.	28th meeting, June 21, 2010	<ul style="list-style-type: none"> Ministry of Defence, 2003-04 Ministry of Local Government, Rural Development and Cooperatives, 2000-2004 	<ul style="list-style-type: none"> Defence Audit Foreign Aided Projects Audit
25.	29th meeting, June 22, 2010	<ul style="list-style-type: none"> Ministry of Foreign Affairs, 2003-04 	<ul style="list-style-type: none"> Mission Audit
26.	30th meeting, June 23, 2010	<ul style="list-style-type: none"> Special audit report on unauthorized absence of teachers in eight public universities, 1994-2004 Internal Resources Division, Ministry of Finance, 1998-99, 2001 	<ul style="list-style-type: none"> Local and Revenue Audit
27.	31st meeting, July 8, 2010	<ul style="list-style-type: none"> Ministry of Establishment, 2004-05 Ministry of Finance, 1996-97 	<ul style="list-style-type: none"> Commercial Audit
28.	32nd meeting, August 12, 2010	<ul style="list-style-type: none"> Ministry of Civil Aviation and Tourism, 2001-02 Report on 13 foreign aided projects under six ministries including Ministry of Education, 2004-05 	<ul style="list-style-type: none"> Works Audit Foreign Aided Projects Audit
29.	33rd meeting, August 16, 2010	<ul style="list-style-type: none"> Ministry of Post and Telecommunication, 2002-03 Report on 13 foreign aided projects under six ministries including Ministry of Fisheries and Livestock, 2004-05 	<ul style="list-style-type: none"> Post, Telegraph and Telephone Audit Foreign Aided Projects Audit
30.	34th meeting, August 17, 2010	<ul style="list-style-type: none"> Special audit report on Ministry of Health and Family Welfare, 2003 	<ul style="list-style-type: none"> Local and Revenue Audit
31.	35th meeting, August 19, 2010	<ul style="list-style-type: none"> Ministry of Communication, 2003-04 Progress review on the recommended observations from 1990-91 to 2000 Progress review on realized recovery, adjustment, write off, regularization and authentication from 1990-91 to till date 	<ul style="list-style-type: none"> Works Audit Civil Audit Local and Revenue Audit Commercial audit Mission Audit
32.	36th meeting, August 23, 2010	<ul style="list-style-type: none"> Special reports on Ministry of Communication from 1987-88 to 1997-98 Report on 13 foreign aided projects under six ministries including Ministry of Primary and Mass Education, 2004-05 	<ul style="list-style-type: none"> Railway audit Foreign Aided Projects Audit
33.	37th meeting, September 30, 2010	<ul style="list-style-type: none"> Report on 10 foreign aided projects under Ministry of Communication, 2004-05 	<ul style="list-style-type: none"> Foreign Aided Projects Audit
34.	38th meeting, October 3, 2010	<ul style="list-style-type: none"> Ministry of Food and Disaster Management, 2004-05 	<ul style="list-style-type: none"> Commercial Audit
35.	39th meeting, October 5, 2010	<ul style="list-style-type: none"> Report on 10 foreign aided projects under Ministry of Communication, 2004-05 Progress review on the observations of Ministry of Communication 	<ul style="list-style-type: none"> Foreign Aided Projects Audit
36.	40th meeting, October 7, 2010	<ul style="list-style-type: none"> Ministry of Industries, 2002-03 and 2003-04 Ministry of Post and Telecommunication, 2004-05 Ministry of Post and Telecommunication 	<ul style="list-style-type: none"> Commercial Audit Post, Telegraph and Telephone Audit
37.	41st meeting, October 12, 2010	<ul style="list-style-type: none"> Finance Division, Ministry of Finance, 1997-98 Internal Resources Division, Ministry of Finance 	<ul style="list-style-type: none"> Local and Revenue Audit
38.	42nd meeting, October 21, 2010	<ul style="list-style-type: none"> Ministry of Water Resources, 1999-2000 Review on the draft of the first PAC report 	<ul style="list-style-type: none"> Foreign Aided Projects Audit
39.	43rd meeting, October 27, 2010	<ul style="list-style-type: none"> Internal Resources Division, Ministry of Finance, 1996-97 	<ul style="list-style-type: none"> Local and Revenue Audit

Parliamentary Financial Committees and the OCAG

Public Accounts Committee:

No.	Meeting Date	Discussed audit reports	Audit Directorate
40.	44th meeting, November 1, 2010	<ul style="list-style-type: none"> Ministry of Local Government, Rural Development and Cooperatives, 1996-97 	<ul style="list-style-type: none"> Works Audit
41.	45th meeting, November 14, 2010	<ul style="list-style-type: none"> Ministry of Water Resources, 1997-98 Ministry of Agriculture, 2004-05 	<ul style="list-style-type: none"> Foreign Aided Projects Audit
42.	46th meeting, November 22, 2010	<ul style="list-style-type: none"> Ministry of Land, 1999 	<ul style="list-style-type: none"> Foreign Aided Projects Audit
43.	47th meeting, November 25, 2010	<ul style="list-style-type: none"> Ministry of Power, Energy and Mineral Resources, 2004-05 Ministry of Primary and Mass Education, 2002-03 Issue based audit report on Ministry of Primary and Mass Education, 1999-2000 to 2003 	<ul style="list-style-type: none"> Foreign Aided Projects Audit
44.	48th meeting, November 28, 2010	<ul style="list-style-type: none"> Ministry of Communication, 2004-05 	<ul style="list-style-type: none"> Foreign Aided Projects Audit
45.	49th meeting, November 29, 2010	<ul style="list-style-type: none"> Ministry of Communication, 2004-05 	<ul style="list-style-type: none"> Works Audit
46.	50th meeting, November 30, 2010	<ul style="list-style-type: none"> Ministry of Local Government, Rural Development and Cooperatives, 2002-03 	<ul style="list-style-type: none"> Local and Revenue Audit
47.	51st meeting, December 6, 2010	<ul style="list-style-type: none"> Ministry of Labour and Employment, 1999 Progress review on the recommended observations from 1994-95 to 2000 Progress review on realized recovery, adjustment, write off, regularization and authentication from 1995-96 to till date 	<ul style="list-style-type: none"> Mission Audit Post, Telegraph and Telephone Audit
48.	52nd meeting, December 8, 2010	<ul style="list-style-type: none"> Ministry of Textiles and Jute, 2004-05 Progress review on decisions of PAC meeting on Ministry of Textile and Jute, 2000-01 	<ul style="list-style-type: none"> Commercial Audit
49.	53rd meeting, December 27, 2010	<ul style="list-style-type: none"> Ministry of Expatriate Welfare and Overseas Employment, 1998-2001 	<ul style="list-style-type: none"> Mission Audit
PAC Sub-committee - 1			
1.	4th meeting, January 19, 2010	<ul style="list-style-type: none"> Progress review on the undiscussed audit observations of ministries of Establishment; Land; Power, Energy and Mineral Resources; Civil Aviation and Tourism; Water Resources and respective audit directorates as decided in the first meeting of the Sub-committee 1 on October 28, 2009. 	<ul style="list-style-type: none"> Commercial Audit Local and Revenue Audit Civil Audit Works Audit
2.	5th meeting, February 4, 2010	<ul style="list-style-type: none"> Progress review on the undiscussed audit observations of ministries of Health and Family Welfare; Environment and Forest; Primary and Mass Education; Religious Affairs and respective audit directorates as decided in the first meeting of the Sub-committee-1 on October 28, 2009. 	<ul style="list-style-type: none"> Commercial Audit Local and Revenue Audit Civil Audit Foreign Aided Projects Audit
3.	6th meeting, February 28, 2010	<ul style="list-style-type: none"> Progress review on the undiscussed audit observations of ministries of Commerce, Industry, Planning and audit directorates as decided in the first meeting of the Sub-committee-1 on October 28, 2009. 	<ul style="list-style-type: none"> Commercial Audit Local and Revenue Audit Civil Audit Foreign Aided Projects Audit
4.	7th meeting, March 16, 2010	<ul style="list-style-type: none"> Progress review on the undiscussed audit observations of ministries of Agriculture; Fisheries and livestock; Water Transport and respective audit directorates as decided on October 28, 2009 in the first meeting of the Sub-committee-1. 	<ul style="list-style-type: none"> Commercial Audit Local and Revenue Audit Civil Audit Foreign Aided Projects Audit
5.	8th meeting, April 13, 2010	<ul style="list-style-type: none"> Progress review on the undiscussed audit observations of ministries of Defence; Finance; Law, Justice and Parliamentary Affairs and respective audit directorates as decided on October 28, 2009 in the first meeting of the Sub-committee-1. 	<ul style="list-style-type: none"> Defence Audit Local and Revenue Audit Civil Audit
6.	9th meeting, April 28, 2010	<ul style="list-style-type: none"> Progress review on the undiscussed audit observations of ministries of Food and Disaster Management; Post and Telecommunications; Science and ICT; Information and respective audit directorates as decided on October 28, 2009 in the first meeting of the Sub-committee-1. 	<ul style="list-style-type: none"> Commercial Audit Local and Revenue Audit Civil Audit Foreign Aided Projects Audit Post, Telegraph & Telephone Audit

Parliamentary Financial Committees and the OCAG

No.	Meeting Date	Discussed audit reports	Audit Directorate
7.	10th meeting, May 16, 2010	<ul style="list-style-type: none"> Progress review on the undiscussed audit observations of Ministry of Finance and respective audit directorates as decided on October 28, 2009 in the first meeting of the Sub-committee-1. 	<ul style="list-style-type: none"> Commercial Audit Foreign Aided Projects Audit
8.	11th meeting, May 26, 2010	<ul style="list-style-type: none"> Progress review on the undiscussed audit observations of Cabinet Division, Internal Resources Division, Ministries of Jute and Textile, Cultural Affairs, Youth and Sports, Women and Children Affairs, Labour and Employment, Social Welfare and respective audit directorates as decided on October 28, 2009 in the first meeting of the Sub-committee-1. 	<ul style="list-style-type: none"> Commercial Audit Local and Revenue Audit Civil Audit Foreign Aided Projects Audit
9.	12th meeting, November 12, 2010	<ul style="list-style-type: none"> Ministry of Finance 	<ul style="list-style-type: none"> Commercial Audit Foreign Aided Projects Audit Mission Audit
10.	13th meeting, December 21, 2010	<ul style="list-style-type: none"> Ministry of Finance 	<ul style="list-style-type: none"> Commercial Audit Foreign Aided Projects Audit
PAC Sub-committee-2			
1.	2nd meeting February 2, 2010	<ul style="list-style-type: none"> Sonali Bank Limited, Ministry of Finance 	<ul style="list-style-type: none"> Commercial Audit
2.	3rd meeting, April 20, 2010	<ul style="list-style-type: none"> Bangladesh Shilpa Bank, Ministry of Finance 	<ul style="list-style-type: none"> Commercial Audit
3.	4th meeting, April 27, 2010	<ul style="list-style-type: none"> Janata Bank Limited, Ministry of Finance, 1990-91 to 1999-2000 	<ul style="list-style-type: none"> Commercial Audit
PAC Sub-committee-3			
1.	3rd meeting January 25, 2010	<ul style="list-style-type: none"> Ministry of Finance, 2004-05 	<ul style="list-style-type: none"> Commercial Audit
2.	4th meeting, April 25, 2010	<ul style="list-style-type: none"> Ministry of Foreign Affairs, 2002-03 	<ul style="list-style-type: none"> Mission Audit
3.	5th meeting, November 29, 2010	<ul style="list-style-type: none"> Ministry of Local Government, Rural Development and Cooperatives, 2001-2002 	<ul style="list-style-type: none"> Local and Revenue Audit
PAC Sub-committee-4			
1.	6th meeting, January 13, 2010	<ul style="list-style-type: none"> Ministry of Industry, 2005-06 	<ul style="list-style-type: none"> Commercial Audit
2.	7th meeting, January 27, 2010	<ul style="list-style-type: none"> Ministry of Housing and Public Works 	<ul style="list-style-type: none"> Works Audit
3.	8th meeting, February 10, 2010	<ul style="list-style-type: none"> Ministry of Communication, 2005-06 	<ul style="list-style-type: none"> Works Audit
4.	9th meeting, February 17, 2010	<ul style="list-style-type: none"> Ministries of Health and Family Welfare, Energy and Mineral Resources, Jute and Textile, Liberation Affairs, Housing and Public Affairs, 2005-06 	<ul style="list-style-type: none"> Foreign Aided Projects Audit
5.	10th meeting, February 25, 2010	<ul style="list-style-type: none"> Ministry of Local Government, Rural Development and Cooperatives, 2005-06 	<ul style="list-style-type: none"> Works Audit
6.	11th meeting, March 21, 2010	<ul style="list-style-type: none"> Ministry of Finance, 2005-06 	<ul style="list-style-type: none"> Commercial Audit
7.	12th meeting, March 25, 2010	<ul style="list-style-type: none"> Ministry of Finance, 2005-06 	<ul style="list-style-type: none"> Local and Revenue Audit
8.	13th meeting, March 29, 2010	<ul style="list-style-type: none"> Ministries of Commerce, Food and Disaster Management, Agriculture, Water Transport, 2005-06 	<ul style="list-style-type: none"> Commercial Audit

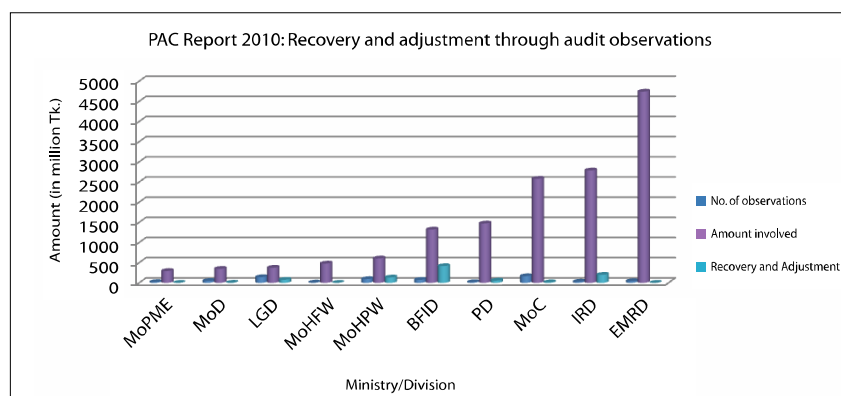
Parliamentary Financial Committees and the OCAg

No.	Meeting Date	Discussed audit reports	Audit Directorate
9.	14th meeting, March 31, 2010	• Ministries of Commerce, Food and Disaster Management, Agriculture, Water Transport, 2005-06	• Commercial Audit
10.	15th meeting, April 8, 2010	• Ministries of Commerce, Food and Disaster Management, Agriculture, Water Transport, 2005-06	• Commercial Audit
11.	16th meeting, April 18, 2010	• Ministry of Local Government, Rural Development and Cooperatives, 2005-06	• Local and Revenue Audit
12.	17th meeting, April 22, 2010	• Ministry of Communication, 2005-06	• Commercial Audit
13.	18th meeting, April 26, 2010	• Ministries of Water Resources, Communication, Planning, Primary and Mass Education, Agriculture, Fisheries and Livestock, 2005-06	• Foreign Aided Projects Audit
14.	19th meeting, April 29, 2010	• Ministry of Defence, 2005-06	• Defence Audit
15.	20th meeting, May 23, 2010	• Ministry of Communication, 2005-06	• Railway Audit
16.	21st meeting, May 24, 2010	• Ministry of Foreign Affairs, 2005-06	• Mission Audit
17.	22nd meeting, May 31, 2010	• Ministry of Post and Telecommunication, 2005-06	• Post, Telegraph & Telephone Audit
18.	16th meeting, May 30, 2010	• Ministry of Local Government, Rural Development and Cooperatives, 2005-06	• Local and Revenue Audit
19.	23rd meeting, June 16, 2010	• Ministries of Water Resources, Communication, Planning, Primary and Mass Education, Agriculture, Fisheries and Livestock, 2005-06	• Foreign Aided Projects Audit
20.	24th meeting, August 25, 2010	• Ministry of Industries	• Commercial Audit
21.	25th meeting, October 10, 2010	• Ministry of Finance, 2005-06	• Commercial Audit
22.	26th meeting, October 14, 2010	• Ministries of Finance; Commerce; Food and Disaster Management; Agriculture; Shipping and Inland Water Transport	• Commercial Audit
23.	27th meeting, October 28, 2010	• Ministry of Housing and Public Works	• Works Audit
24.	28th meeting, November 4, 2010	• Ministry of Communication	• Works Audit
25.	29th meeting, November 11, 2010	• Ministry of Finance, 2005-2006	• Commercial Audit
26.	30th meeting, December 29, 2010	• Ministries of Health and Family Welfare; Power, Energy and Mineral Resources; Textiles and Jute; Liberation Affairs; Housing and Public Works, 2005-2006 • Ministries of Water Resources; Communication; Planning; Primary and Mass Education; Agriculture; Fisheries and Livestock, 2005-2006	• Foreign Aided Projects Audit • Commercial Audit

b. First PAC Report of the 9th Parliament Tabled

Public Accounts Committee (PAC) of the 9th Parliament finalized its first report in December 2010. The committee and its four sub-committees examined 2242 audit observations of 225 Audit Reports in 82 sittings. Committee agreed upon the recommendations made for 947 audit observations and 656 observations were settled for taking appropriate measures by the executing agencies. Tk. 1004.60 million was recovered and adjusted through audit recommendations and another Tk. 2476 million has to be recovered as per PAC's instruction. The amount involved in the 947 audit observations was Tk. 18389 million which was related with 38 ministries/divisions. Energy and Mineral Resource Division has the highest amount involvement in audit observations (Tk.4741.90 million). Highest amount of money (Tk.415 million) recovered and adjusted from audit observations is from Banking and Financial Institutions Division. Details of other ministries/divisions is depicted in the following table:

Ministry/Division	Number of observations	Amount Involved (In million Taka)	Recovered and Adjusted (In million Taka)
Primary and Mass Education (MoPME)	20	294.2	0.1
Defence (MoD)	47	347.2	2.4
Local Government Division (LGD)	141	374.2	76
Health and Family Welfare (MoHFW)	8	478.8	-
Housing and Public Works (MoHPW)	94	604.7	132.4
Banking and Financial Institutions Division (BFID)	74	1322.1	415.4
Power Division (PD)	17	1472.2	55.6
Communication (MoC)	165	2580.5	14.5
Internal Resources Division (IRD)	29	2786.1	198.9
Energy and Mineral Resources Division (EMRD)	41	4741.9	0.3



c. Bangladesh to Steer PACs' Association ARAPAC

Bangladesh has been elected the Chairman of the Asia Regional Association of Public Accounts Committees (ARAPAC), a newly formed organization of Public Accounts Committees across the South and Southeast Asian region.

The Maldives has been elected the First Deputy Chairman and Sri Lanka the Second Deputy Chairman at the inaugural meeting of the Association held in Dhaka on December 19, 2010.

Representatives from the national public accounts committees from South Asian Association for Regional Cooperation (SAARC) and other Asian countries including Indonesia, Mongolia, Thailand, Timor L'este and Vietnam participated in the two-day meeting.

The Public Accounts Committee of the Bangladesh National Parliament organized the event. Deputy Speaker Mr. Shawkat Ali M.P., World Bank Country Director Ellen Goldstein and Bangladesh PAC Chairman Dr. Muhiuddin Khan Alamgir, M.P. attended the meeting.

Members of the ARAPAC met together for the first time, aiming at improving the quality and performance of public accounts committees in Asia. Earlier, a meeting held in Dhaka in November 2009 decided to establish a regional association of PACs across the region. Later, it was decided to form a Pan Asia Association, including public accounts committees from South and Southeast Asia regions.

5. OCAG'S PERFORMANCE MEASURES



The OCAG has developed key performance indicators (KPI) for measuring its performance. Major KPIs include ratio of costs to benefits, acceptance of primary audit observations, implementation of audit recommendations, timeliness and quality of audit reports etc. In the last ten years OCAG tried to incorporate this information in the annual activity report. Audit Inspection Reports (AIR) are prepared on the basis of initial audit observations accepted by the audited organizations/entities/units. These reports are discussed in detail with head of units audited and issued on the spot. Further review shows that most of the recommendations have been acted upon. Accordingly, OCAG is planning to prepare two follow up reports on implementation of PAC recommendations and OCAG's recommendations.

OCAG conducts audit following the International Standards of Supreme Audit Institutions (ISSAIs), International Standards on Auditing (ISAs) and its own standards. Audit works are reviewed through a 'two tier' quality assurance mechanism within each Audit Directorate and the Central Quality Assurance Team (CQAT) at the OCAG secretariat. A built-in internal control system also exists to assess the quality of work of one audit directorate by another. Comments made by the PAC on the audit observations are given highest priority to improve its future audits.

OCAG welcomes any critical and constructive comments by the stakeholders to help produce fair and reliable reports. The audit processes are also designed to ensure adherence to professional standards. For various reasons we were not able to submit 2007-2008 reports as intended. However, the reports of 2008-2009 and 2009-1010 are being submitted timely.

Tk. 123 saved for every
Taka spent on audit

In the last 38 years, OCAG contributed significantly to aid accountability and to safeguard public resources from misuse, wastage, misappropriation and losses. Figures for the year 2010 reveal that Tk. 123 saved for every Taka spent on audit. In absolute figure Tk. 76170 million was deposited in government treasury against Taka 618.5 million spent for conducting audit. However, the impact of audit cannot be assessed only from limited standpoint of recovery of money. Avoidance of similar irregularities, changes of rules and laws, bringing systemic development/changes, ensuring timeliness in preparation of accounts by the projects and public enterprises are some mentionable improvements due to auditing.

This is only a tip of the ice berg! The maximum benefit of audit is the deterrent impact of the very existence of audit and the parliamentary control.

6. SETTLEMENT OF AUDIT OBSERVATIONS



A considerable part of audit efforts are reflected in the Audit Inspection Reports (AIR) that are issued to the audited organizations and followed up subsequently. A large number of accumulated audit observations are being settled every year through regular bi-lateral and tripartite meetings with resultant impact in terms of recovery, adjustment and regularization of public money. A total of 35319 audit observations have been settled in 2010 by the Office of the Comptroller and Auditor General of Bangladesh. The amount

involved in these observations is Tk. 72148 m. The number of audit observations and the amount involved for the respective ministries is shown below:

No.	Name of Ministry	Number	Amount Involved (In million Taka)
1.	Agriculture	1487	2178.7
2.	Chittagong Hill Tracts Affairs	77	325.2
3.	Civil Aviation and Tourism	452	798.7
4.	Commerce	91	199.0
5.	Communication	793	3688.8
6.	Cultural Affairs	19	35.6
7.	Defence	1847	550.7
8.	Education	1104	989.9
9.	Election Commission	8	16.9
10.	Energy and Mineral Resources Division	1162	5896.7
11.	Environment and Forest	386	1259.6
12.	Establishment	850	263.7
13.	Finance Division	831782	6135.3
14.	Fisheries and Livestock	2679	823.7
15.	Food	1865	1292.6
16.	Foreign Affairs	195	13.8
17.	Health	1982	3510.9
18.	Home Affairs	1278	949.5
19.	Implementation Monitoring and Evaluation Division	274	1.3
20.	Industry	1459	9935.6
21.	Information	156	74.1
22.	Internal Resources Division	182	341.8
23.	Jute	674	3094.0

Settlement of Audit Observations

No.	Name of Ministry	Number	Amount Involved (In million Taka)
24.	Labor and Manpower	3	0.3
25.	Land	65	6.4
26.	Law, Justice and Parliamentary Affairs	15	0.6
27.	Local Govt. Rural Development and Cooperatives	2661	6113.9
28.	Liberation War Affairs	37	29.0
29.	Planning Division	550	184.0
30.	Power Division	838	436.6
31.	Primary and Mass Education	471	119.1
32.	Prime Minister's Secretariat	24	43.0
33.	Post and Telecommunications	575	19792.4
34.	Public Service Commission	4	0.1
35.	Religious Affairs	138	7.3
36.	Science and Technology	331	1014.3
37.	Shipping	394	615.9
38.	Social Welfare	119	8.3
39.	Supreme Court	3	-
40.	Water Resources	94	250.1
41.	Women and Children Affairs	140	67.9
42.	Housing and Public Works	242	1066.9
43.	Youth and Sports	79	15.9
44.	Economic Relations Division	2	-
	Total	35319	72148

Settlement of Audit Observations by the Public Accounts Committee (PAC)

A total of 1703 audit observations included in the audit reports have been settled in 2010 by the office of the Comptroller and Auditor General of Bangladesh which were finally settled by the Public Accounts Committee (PAC). The amount involved in these observations is Tk. 3016.5 million.

7. REFORMS AND DEVELOPMENT



The OCAG is committed to professional development of its staff and to the continuous improvement of its capacity to enhance the quality of its audit procedures and services. Over the years, OCAG has designed its reform initiatives to meet the ever changing requirements resulting from the public financial management reforms of the government. OCAG initiated several reform activities towards enhancing the capacity of the Audit Directorates to meet the challenges of high quality audit reports.

SCOPE Strengthening Comptrollership and Oversight of Public Expenditure (SCOPE)

SCOPE is a technical assistance project implemented by the OCAG and assisted by the Canadian International Development Agency (CIDA). The five year long project started its operation in 2009. The overall purpose of the project is to enable the OCAG to effectively carry out its constitutional obligations. The project is being implemented through three interrelated components of organizational strengthening, human resource development and strengthening partnership with the stakeholders.

With assistance from the project, OCAG has formed the performance audit, financial audit and IT audit core groups comprising officials of various levels. The core group members have been undergoing theoretical training and will be involved in pilot auditing to gain practical skills in field auditing in these areas.

Another significant milestone is the implementation of IT infrastructure in the OCAG and in the Audit Directorates. This will enable the OCAG to use intranet for real time communication and its workforce to function in an IT environment. Application of IT facilities as well as Computer Assisted Audit Techniques e.g. IDEA (Interactive Data Extraction and Analysis) and electronic working papers e.g. Team Mate software will enable the auditors to perform all audit activities in a paperless environment.

The OCAG and SCOPE have also undertaken programs on gender equality issues on the perspectives of global concerns and government of Bangladesh's commitment. Gender equality issues are aimed at creating an atmosphere in the field of recruitment, promotion and other service conditions and introducing gender responsive auditing to evaluate the effectiveness of the gender responsive budget recently introduced by the government of Bangladesh. Activities of SCOPE project and status of progress in 2010 is elaborated below:

Performance audit:

Pilot performance audits:

- Performance audit on Forest Management in Bangladesh has been finalized
- Performance audit on Sea Ports Management in Bangladesh is being implemented
- Planning for third pilot audit is underway

Sustaining OCAG performance audit capacity:

- A performance audit core group has been created. Members have received theoretical and on the job training on performance audit process

Reforms and Development

- Trained and experienced auditors to continue with performance audit engagements
- Third pilot audit team to include members from first two pilots, so that critical skills and knowledge are uniformly disseminated among all members of the performance audit core group
- A Directorate-led performance audit to start in 2011 with a member from first two pilots as team leader
- Build core group of trained trainers - members from first two pilot audits to be trained as trainers
- The group will act as trainers for second generation of OCAG performance auditors and continue classroom training started by SCOPE

Gender Component:

- Gender Mainstreaming Advisory Committee (GMAC) initiated
- Gender Focal Point (GFP)/Gender Forum: GFPs identified; Coordinator and 24 members (13 female) are in the process of being activated
- Finalize Gender Mainstreaming Strategic Plan (GMSP): GMSP drafted; being shared with the Directors General of Audit Directorates
- Creating awareness of gender equality: Gender concepts, GoB commitments - audit implications were discussed with the GFPs
- Initiatives to incorporate Guideline for Addressing Gender in Performance Audit (GAGPA) into Audit Directorate led performance audits
- Initiate the 3rd pilot performance audit with a gender focus
- Conduct stand-alone gender audit: Issues may include the provisions, laws and policies made by the Government on areas such as community clinic, female stipend etc.

Audit Monitoring and Management System (AMMS):

- Establish an AMMS to cover all Audit Directorates
- Completed User Requirements Specifications (URS), Software Requirements Specifications (SRS), Process Flow Diagram and Data Flow Diagram, Core Functionalities of AMMS identification, Database design and architecture
- Completed technical part of the tender documentation for establishing AMMS



8. YEAR IN REVIEW



Comptroller and Auditor General submits audit reports to the Honorable President on July 7, 2010

Comptroller and Auditor General Submits Audit Reports to the Hon'ble President

The Comptroller and Auditor General of Bangladesh Ahmed Ataul Hakeem FCMA called on the Hon'ble President Md. Zillur Rahman at Banga Bhaban on July 7, 2010 and submitted 14 Annual Audit Reports and four Special Audit Reports.

CAG informed the Hon'ble President that the Audit Reports include 296 audit observations relating to 16 Ministries involving Tk. 15,270 (Fifteen thousand two hundred seventy) million. The audit observations highlighted cases of non-recovery of time-barred loan, defalcation, financial losses, stock deficit, undue advantage given to contractors,

irregular expenditure, lesser deduction of Income Tax and Value Added Tax etc.

While appreciating the efforts made by the office of the Comptroller and Auditor General the Hon'ble President stressed on the need for high quality audit in ensuring accountability and transparency of the activities carried out by the executives. The Hon'ble President also emphasized on the necessity of effective audit for best utilization of taxpayers' money and for achieving good governance through ensuring sound public financial management.

Newly built Financial Management Academy (FIMA) Bhaban Inaugurated

Financial Management Academy (FIMA), the capacity development organ of the Office of the Comptroller and Auditor General (OCAG) of Bangladesh has finally moved into its new premises. Finance Minister Abul Maal Abdul Muhith, MP inaugurated the newly built FIMA Bhaban at Lalasarai, Mirpur on March 30, 2010. The new training complex of OCAG with its residential and other modern facilities will enable the office to impart better training to the officers of the department, as well as across the government. The newly built FIMA complex has IT facilities, modern classrooms, a library and recreational facilities for trainees.

The visiting dignitaries all expressed high appreciation about FIMA's performance and hoped it would be able to generate positive impact on quality of audit work, reports and services. Finance Minister Abul Maal Abdul Muhith, MP in his speech underscored the need of IT based modern training for building Digital Bangladesh. He emphasized the need for change of attitude and modernization of the present system of auditing for ensuring enhanced transparency and accountability in government financial management.

Founding Day of the Audit Department Observed

The founding day of the Audit Department was observed for the first time on May 11, 2010 at Audit Bhaban. On this day in 1973 the Office of the Comptroller and Auditor General of Bangladesh started functioning as a constitutional body.

Year in Review

A discussion meeting was arranged to mark the day. It was agreed that, each year May 11th would be observed as the founding day of the Department. The meeting showed an impressive gathering of the past and present officials of the Department where former CAGs and retired officials recollected fond memories of their professional career.

Office bearers of the BCS (Audit and Accounts) Cadre Association, Audit and Accounts Officers' Association and Auditors' Association spoke on the occasion. The founding day activities started with hoisting of the OCAG flag for the first time in the premises of the Audit Bhaban and concluded with the launching of the re-designed OCAG website (www.cag.org.bd) by the Comptroller and Auditor General of Bangladesh.



9. SAI BANGLADESH IN GLOBAL PERSPECTIVE

International Conference on 'Strengthening External Public Auditing in INTOSAI Regions' in Vienna, Austria



CAG Ahmed Ataul Hakeem made a presentation on Agenda Item 6: 'Central elements of and prerequisites for independent SAIs in the light of the Lima Declaration of Guidelines on Auditing Precepts and the Mexico Declaration on SAI Independence' at the conference on 'Strengthening External Public Auditing in INTOSAI Regions' held in Vienna, Austria. The conference was hosted by the INTOSAI General Secretariat at the premises of the Austrian Parliament during May 26-27, 2010.

In his presentation, CAG emphasized on supreme auditing as an activity sui generis, that is, distinct from other forms of government checks and controls. This particular feature has placed the SAI in a unique position since it cannot be put under any one of the three traditional sources of powers - the Legislature, the Executive and the Judiciary. The presentation highlighted the relevant sections/principles on SAI independence under the Lima Declaration, 1977 and the Mexico Declaration of SAI independence, 2007. It also covered the challenges and responsibilities of SAIs.

42nd ASOSAI Governing Board Meeting in Hanoi, Vietnam



CAG Ahmed Ataul Hakeem attended the 42nd ASOSAI governing board meeting in Hanoi, Vietnam from August 4-6, 2010. A total number of 64 delegates from 13 member SAIs, including observers from the INTOSAI Development Initiative (IDI) participated in the meeting.

The Governing Board adopted the new budget reform plan formulated by the ASOSAI secretariat. It is expected that it will secure sufficient time and information to review the draft budget; and contribute to reinforce functions of the Governing Board and the Assembly. Discussion was also held on the efficient utilization of accumulated ASOSAI funds on a long-term basis. The Governing Board deliberated on the Draft Strategic Plan for 2011-2015 prepared by the Strategic Plan Task Force.

XX INCOSAI in Johannesburg, South Africa

CAG Ahmed Ataul Hakeem attended the XX INCOSAI (International Congress of the Supreme Audit Institutions) in Johannesburg, South Africa from November 22-27, 2010. The six day event consisted of plenary sessions, 60th and 61st Governing Board meeting, meetings of various committees, working groups and task forces that report to the delegates at the conference.

XX INCOSAI also had discussion on International Standards of Supreme Audit Institutions (ISSAIs). The collaborative efforts by several SAIs resulted in the development of a set of standards for the public sector auditing environment.

The Congress concluded with the adoption of the Johannesburg Accords and the INTOSAI Strategic Plan for the period of 2011-2016. By adopting these documents, the focus and direction of INTOSAI's activities have been defined for the coming years, representing a significant contribution to improving transparency, accountability and good governance for the benefit of citizens.

SAI Bangladesh in Global Perspective

Seminar on 'Strengthening External Public Auditing in the ASOSAI Region' in Seoul, Korea

From December 13-18, 2010 Board of Audit and Inspection (BAI) arranged a seminar on 'Strengthening External Public Auditing in the ASOSAI Region' in Seoul, Korea. The seminar was a regional follow up to the INTOSAI conference on 'Strengthening External Public Auditing in INTOSAI Regions' held in Vienna, Austria during May 26-27, 2010.

CAG Ahmed Ataul Hakeem, invited as a special expert delivered an insightful lecture focusing on the lessons learned from actual audit practices in terms of SAI independence and the fundamental prerequisites of effective public audit. It has been mentioned that the presentation CAG Bangladesh made in the Vienna meeting in May, 2010 was extremely conducive to implementing the collective efforts on strengthening SAI independence.

On December 13, 2010 CAG Ahmed Ataul Hakeem met the Hon'ble Prime Minister of the Republic of Korea H. E. Hwangsik Kim at a luncheon meeting at his residence. Prior to his appointment as Prime Minister of South Korea Mr. Kim was the Chairman of Board of Audit and Inspection (BAI) of South Korea and the Secretary General of INTOSAI. CAG Ahmed Ataul Hakeem and the Hon'ble Prime Minister discussed matters of mutual interest and probable areas of future cooperation. Former Auditor General of Australia Patrick Joseph Barrett was also present at the meeting.

19th INTOSAI Working Group on IT Audit (WGITA) Meeting and the 6th Performance Audit Seminar

CAG Ahmed Ataul Hakeem attends the 19th INTOSAI Working Group on IT Audit (WGITA) meeting and the 6th Performance Audit Seminar in Beijing, China from April 12-17, 2010. The WGITA meeting focused on the status of ongoing projects and forwarded further suggestions on new initiatives to be taken by the working group. The theme of the seminar was 'Performance Measures Indicating IT Project Effectiveness and Investment Successes'. Sub themes include:

- IT investments - making the right choices, delivering value and measuring effectiveness
- IT investments - case studies on auditing IT investment management practices
- Emerging topics and issues related to IT investments

10. OCAG COMMUNICATION AND OUTREACH



OCAG is functioning to establish transparency and accountability in public financial management of Bangladesh. In a democratic society these are the fundamental elements of good governance. OCAG's outreach to its stakeholders is very important for attaining its goals. Effective relationship with the media is one of the key aspects of such outreach activities. Representation of OCAG to the masses depends on its ability to communicate effectively with different stakeholders.

As the audit reports of OCAG were not able to make the expected change in the financial management, it is time to reflect on how we have been utilizing our time and the taxpayers' money. Moreover, there remains a systemic weakness in achieving the expected impact when required actions were not taken to correct the malpractices that have been identified in the audit reports.

Therefore, in its recent efforts to become more accessible to the people, OCAG's initiatives have focused towards developing an institutional culture of dialogue with the media. In the past this type of initiatives has been inadequate. With the publishing of audit reports in the website immense opportunities have been created for the citizens to get first hand access to the working practices of OCAG.

In recent times, OCAG has shown a significant departure from the longstanding culture of evasiveness. Hence, there are issues that need to be addressed. The quality of audit products and services, its user friendliness and reach to the people at large are some of those. The ultimate objective of OCAG is to enhance its credibility by making the office reachable and its audit reports understandable to the media and the public.

Recommendations of the International Organization of Supreme Audit Institutions (INTOSAI) and best practices of other SAIs encourage reaching to the wider audience of tax payers of the country along with the Parliament. It could ensure greater transparency, visibility and accountability of all the activities undertaken by the OCAG. Also, it would enhance the dissemination of audit message, thus shape exposure and brings in the tax payers' pressure for reform.



At present OCAG is exploring the means to reach the tax payers. Partnering with communication experts and civil society organizations without compromising the independence is a possible way. OCAG needs to decide on how to demonstrate what the office is doing and what could be disseminated to the people. To achieve this goal a coordinated effort from all parties involved is needed.

With this new phenomenon in SAI Bangladesh a group of officers have received intensive training regarding media relations. Skills and knowledge needed to develop of a press release, make audit reports understandable for media people, formulate press advisory, organize press conference were the the areas focused in the training programs. Development partners - USAID and Canadian International Development Agency (CIDA) have extended their cooperation through respective PROGATI and SCOPE projects.

CAG Ahmed Ataul Hakeem and senior officials of the department attended an interaction meeting with the media gatekeepers in October 2010. Prominent journalists of the country took part in the meeting. As a part of capacity building on media relation and communication, OCAG has formed a 'Media and Communication Cell' to make the office more accessible, visible and effective.



11. TRAINING AND WORKSHOPS



As part of the continuous professional development, more emphasis has been given on acquisition of advanced auditing skills in SAI Bangladesh. Accordingly, 14 officials were sent abroad to attend training courses, workshops and seminars during the year 2010 as shown in the following table:

No.	Participant's name	Training/Workshop /Seminar Attended	Country and Date
1.	Md. Abdul Baset Khan Director General, Local and Revenue Audit Directorate	5th plenary meeting of the INTOSAI PSC Sub-committee on the Internal Control Standards	Moscow, Russian Federation February 16-18, 2010
2.	A K M Jashim Uddin Director General, Commercial Audit Directorate Md. Abdus Samad Additional Controller General of Accounts Farmeen Mowla, Director Performance Audit Directorate	IDI Trans-Regional Capacity Building Program for Public Debt Management Audit	Jakarta, Indonesia March 23-27, 2010
3.	Wazir Ahmed Fateh Director General Defence Audit Directorate	INTOSAI Capacity Building Committee, Sub-committee-3	Bonn, Germany May 20-21, 2010
4.	Md. Naoshad Hossain Assistant Comptroller and Auditor General (Report), CAG office	16th meeting of INTOSAI Working Group for Audit of Privatization, Economic Regulations and PPP	London, UK May 10-11, 2010
5.	Uttam Kumar Karmakar Additional Deputy Comptroller and Auditor General, CAG office	Asia Pacific Space Cooperation Organization	Beijing, China June 14-20, 2010
6.	Md. Shamsur Rahman Audit and Accounts Officer CAG office	Performance Audit Workshop	Kuala Lumpur, Malaysia June 21-July 2, 2010
7.	Md. Akkas Ali Pk. Deputy Director Works Audit Directorate	Public Sector Audit	Seoul, Korea September 30-October 16, 2010

Training and Workshops

No.	Participant's name	Training/Workshop /Seminar Attended	Country and Date
8.	<p>Md. Kamal Anwar Director Local and Revenue Audit Directorate</p> <p>Md. A K Azad Khan Deputy Director Defence Audit Directorate</p> <p>Mohammad Amimul Ehsan Kabir Assistant Director, Office of the Additional Director General (Finance), Bangladesh Railway</p>	IDI Trans-Regional Capacity Building Program on Performance Audit of Forestry	Jakarta, Indonesia October 11-22, 2010
9.	Tanveer Akhter Hossain Khan Deputy Director Local and Revenue Audit Directorate	ASOSAI Workshop on Environment Audit	Istanbul, Turkey November 1-12, 2010
10.	Rownak Taslima Deputy Director Works Audit Directorate	IT Audit Workshop	Malaysia, November 22- December 3, 2010
11.	<p>Farmeen Mowla, Director Performance Audit Directorate</p> <p>Tanveer Akhter Hossain Khan Deputy Director Local and Revenue Audit Directorate</p> <p>Md. Shamsur Rahman Audit and Accounts Officer CAG office</p>	ASOSAI Workshop on 'Quality Assurance in Performance Auditing (QAPA)'	Malaysia, November 29- December 10, 2010



12. FINANCIAL MANAGEMENT ACADEMY (FIMA)



Financial Management Academy (FIMA) is the training wing of the Supreme Audit Institution of Bangladesh. This academy is utilized as a platform for enhancing professionalism of the officers and staff of Audit and Accounts Department. FIMA is entrusted with the responsibility for imparting training to upgrade and enhance the auditing and accounting knowledge and skills of OCAG officers through systematic and planned training programs. It also imparts training on various aspects of financial management to the officials and staff across the government. The training courses offered in 2010 are shown in the following tables:

Departmental Courses

Name of Course	Batch	Number of participants
Departmental Training of BCS: Audit and Accounts cadre	27th batch	23
Departmental Training of BCS: Audit and Accounts cadre	28th batch	17
Subordinate Accounts Service (SAS) Part-1	101	14
Subordinate Accounts Service (SAS) Part-1	102	13
Subordinate Accounts Service (SAS) Part-1	103	12
Subordinate Accounts Service (SAS) Part-1	104	15
Subordinate Accounts Service (SAS) Part-2	100	07
Subordinate Accounts Service (SAS) Part-2	101	14
Subordinate Accounts Service (SAS) Part-2	102	15
Subordinate Accounts Service (SAS) Part-2	103	09
13th Orientation Course: SAS Superintendent	1st	26
13th Orientation Course: Audit and Accounts Officer	2nd	19
13th Orientation Course: Grade- 6	3rd	27

Financial Management Academy (FIMA)

Courses for Civil Servants across the Government

Name of Course	Batch	Number of participants
Training in Budgeting and Accounting System (TIBAS)	1st	30
Training in Budgeting and Accounting System (TIBAS)	2nd	20
Training on Audit & Budget for Bangladesh Petroleum Institute	1st	20
PWD Financial Management Course	1st	30
PWD Financial Management Course	2nd	30
PWD Financial Management Course	3rd	30
Computer training for Food Security- Soil- Fertility Component	1st	15
Computer training for Food Security- Soil- Fertility Component	2nd	14
Computer training for Food Security- Soil- Fertility Component	3rd	15
Computer training for Food Security- Soil- Fertility Component	4th	15
Audit Planning Course for Superintendent and AAG Probationers	1st	27

Departmental Training Course of the 27th and 28th batch BCS: Audit and Accounts Cadre

The Departmental Training Course of the 27th batch BCS: Audit and Accounts Cadre officers was completed and the Passing out ceremony was held on April 29, 2010. Mr. M. Khaled Shams, Ex-Principal, Civil Officers Training Academy (COTA), and Ex-Deputy Managing Director, Grameen Bank were the Theme Speaker on the occasion. He presented a Theme paper titled 'Qualities of a good civil servant'.

To make the departmental training more effective and meaningful some additional topics are included in the training sessions with a view to developing the capability of the probationary officers. FIMA also arranges presentation sessions, debate, study tours and attachment at various offices under OCAG. A magazine was published by the probationary officers of 27th batch sharing their experiences in FIMA.

28th batch BCS: Audit and Accounts Cadre officers joined in FIMA on December 7, 2010 and their Departmental training course is going on. From March 13-14, 2010 a two days on board training in Bangladesh Navy ship BNS Gomti was organized for the trainee officers. They were briefed on the Coastal security arrangement undertaken by the Bangladesh Navy.

13. AUTOMATION IN SAI BANGLADESH

As the Supreme Audit Institution (SAI), the Office of the Comptroller and Auditor General (OCAG) holds a pre-eminent position in the government accountability framework in Bangladesh. An effective SAI helps ensure financial discipline and compliance with rules and regulations. It also acts as an aid to the management in improving financial discipline, ensuring better use of resources and reducing the risks of fraud, inefficiency and waste by making its recommendations.

The need to effectively manage its present and future, information is critical for achieving OCAG's corporate goals and objectives. The Comptroller and Auditor General has given top-most priority on the effective use of ICT and the development of an IT culture throughout the organization especially in view of the stated government policy of achieving the goal of "Digital Bangladesh".

Assisted by the SCOPE project funded by the Government of Canada, OCAG is currently implementing an integrated action plan for making optimum use of information and communication technologies (ICT) to enhance the efficiency and effectiveness of its audit processes. The senior management of OCAG considers its information processing needs as a strategic issue and recognizes the need for planning the use of ICT properly.



Strategic Plan:

As the first step towards building OCAG's information technology capacities, an IT strategic plan has been developed with a view to providing appropriate direction and management of ICT in line with the OCAG's business strategy and priorities. The IT plan identifies five IT strategic goals which will form the basis for IT decision making for the next five years.

- IT Strategic Goal 1 - Build an appropriate Information and communication technology (ICT) infrastructure and sustain it by properly managing technology.
- IT Strategic Goal 2 - To create an enabling IT environment and foster a workplace IT culture.
- IT Strategic Goal 3 - Establish capabilities in auditing in information technology environments and using IT based audit tools.
- IT Strategic Goal 4 - Design and implement solutions for automating audit support systems for enhancing efficiency and effectiveness of the audit processes.
- IT Strategic Goal 5 - Institutionalize effective IT Governance to provide overall direction and for effectively managing IT investments, roles and processes.

The implementation of the IT strategic plan is being closely monitored by a top level IT Steering Committee chaired by the Comptroller and Auditors General.



Hardware and Network:

With the assistance provided by the SCOPE project, the OCAG IT initiatives have achieved significant progress during the past one year. A computer network connecting the Audit Bhaban, the audit complex and audit directorates located in other buildings and a state-of-the-art data centre have been completed and fully operational. One hundred and forty-two PCs/UPSs, seventy-one laptops and thirty-

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one printers have been purchased and operationalized. PCs have been installed at each audit directorate at key locations, including a computer lab, to allow wider access to computing resources. Laptops have been provided to officers at the Deputy Director and above level, and printers provided to officers at the Director and above level. In the second phase, offices under the OCAG located in remote locations in other cities like Chittagong, Rajshahi etc. will be connected through Wide Area Network.



Training:

In view of the rapid computerization in the auditee organizations the Comptroller and Auditor General has given top priority to capacity building in 'Auditing in IT environments'. Therefore introducing new auditing techniques and upgrading the IT skills of its staff are important goals of the IT strategic plan. Under an ambitious IT training program organized by the SCOPE project all officers and staff of OCAG have attended an intensive course based on the internationally accredited the International Computer Driver's License (ICDL) certification. The goal is to lead the way amongst Bangladesh government organizations by achieving 100% computer literacy by the end of 2011. OCAG has also formed an IT Audit Task Force to foster IT audit in the department.

Training is also being organized on information technology audits and use of IT based audit tools. Under the SCOPE project, CAATs software IDEA has been introduced which will enable the OCAG auditors to analyze financial data from the government systems for auditing purposes as well as it will significantly enhance the efficiency of the audit process. OCAG also plans to introduce other advanced audit software like the electronic working papers (EWP) software which will automate the audit process and will deliver high quality audits.



AMMS:

Significant progress has been achieved in the design and the development of user requirement specifications of an IT based Audit Management and Monitoring System (AMMS). The AMMS project will be completed in 2011. The AMMS is a computerized database application that will help the audit directorates to more efficiently plan and schedule audit assignments and monitor and track disposition of the large number of audit observations made by the OCAG. The AMMS will enhance the efficiency and effectiveness of the audit management process and will facilitate production of better quality audit reports.

Ensuring sustainability of the IT infrastructure and IT initiatives is a primary concern for OCAG management. In accordance with international best practices all IT activities are being continuously monitored through an IT governance framework. An information technology core group comprising senior officers have been formed to spearhead the initiative for introducing IT based audit techniques. Qualified IT personnel have been recruited to support the operation and maintenance of the IT network and the database applications.

OCAG recognizes the critical importance of ensuring security of confidential information and of the IT systems. With the assistance of the SCOPE project it is implementing an information security management system (ISMS) with a view to obtaining ISO certification. An IT security awareness and training program will also be implemented to educate OCAG users for maintenance of IT security on an ongoing basis.



14. CHALLENGES AND WAY FORWARD



The Comptroller and Auditor General (CAG) represents the most important pillar of the accountability structure in a parliamentary democracy. The CAG alone has the mandate to reassure the tax payers that their money is being utilized in the best possible manner by the Executives. The importance of the CAG is further emphasized through the mandate and powers mentioned in the Constitution of the Republic.

In upholding the mandate, the CAG is faced with several challenges that have to be managed and mitigated to attain expected potential and effectiveness of the OCAG.

- The OCAG is faced with the challenge of attaining and maintaining its capacity in order to meet its mandate and fulfill stakeholder expectations within the changing Public Financial Management (PFM) environment. The changes introduced in the PFM structure of Bangladesh have provided more responsibilities to the Executives for utilization of public funds, thus necessitating stronger oversight for ensuring accountability and transparency.
- Reforms initiated in the PFM structure of the country have surpassed the capacity building programs introduced in the SAI. The present organizational structure of the OCAG was formulated in the early 1980s when only nine accounts were being prepared and all expenditures were met from the Single Treasury Account (TSA). But at present, the Appropriation Accounts (Civil) alone incorporates 49 Ministry/Division accounts and expenditure is being met from the TSA through more than 100 separate windows.
- The annual budget of the country is being prepared using the Medium Term Budget Framework (MTBF). The MTBF is a process where the Secretary of a Ministry/Division is made responsible for achieving predetermined targets by utilizing the resource envelop provided by the Parliament. It is heartening to note that the MTBF has devised criteria for performance and outcome measurements which are in fact, steps forward for, smooth performance auditing and performance based budgeting. Introduction of MTBF has resulted in new expectations from the external stakeholders. Both the Parliament and the Executives are expressing their need for audit reports on each Ministry/Division.
- The Legislature is interested in how effectively the Executives have utilized the resource envelop and on the other hand the Secretary of the Ministries/Divisions want a reliable report on how well the Ministries/Divisions are performing. Other stakeholders i.e. the people, the media, the civil society and the development partners are also demanding more accountability and transparency from the Executives, especially after the enactment of the Right to Information Act.

To realize the expectations of the people and other stakeholders and to meet its mandate effectively, the OCAG has taken several initiatives.

- A draft Audit Act has been formulated by OCAG. When enacted, the Audit Act would increase independence of the CAG, enabling the SAI to be less dependent on executives in decision making. Audit loses its effectiveness if the audited entity fails to implement audit recommendations, as well as PAC directives properly. Therefore, the proposed Audit Act suggests to make it legally binding for the auditees to report on actions taken regarding execution of the audit and PAC recommendations.
- OCAG has decided to adopt International Standards of Supreme Audit Institutions (ISSAIs) endorsed by the INTOSAI. This would enable the OCAG to provide audit products and services by attaining the requirements of the ISSAIs and the international best practices.

Challenges and Way Forward

- OCAG has formed a Performance Audit Core Group, a Financial Audit Core Group and an IT Audit Core Group. The members of the core groups are receiving both theoretical and on the job trainings at home and abroad and would act as trainers for the OCAG in future. The objective of this initiative is to ensure that a critical mass of trained personnel is available at all times to conduct regularity, performance and IT audits following the modern system/risk based auditing techniques.
- The business process of the OCAG is being modified and automated to ensure better efficiency and effective results. The Audit Management and Monitoring System (AMMS) is being implemented in the SAI, which is expected to enable OCAG to efficiently plan, conduct, report and follow-up audit engagements, as well as assist the Public Accounts Committee. Through the AMMS, the OCAG also hopes to improve the overarching controls of the audit process. The AMMS system would support more in depth supervision and monitoring, more transparent audit work with introduction of electronic working papers, quality assurance framework etc.
- The present organization structure of OCAG needs to be rationalized in order to conduct audit following the ISSAIs and other international best practices and to report to the Parliament on the activities of each Ministry/Division as per requirements of the Legislature and other external stakeholders. The OCAG has prepared a proposal for restructuring the Audit Directorates after reviewing the present organogram vis a vis the expectations of both internal and external stakeholders. The new rationalized structure would allow the OCAG to systematically plan, audit and report on individual budgetary grants i.e. ministry/division wise and as a result would help the policy makers to assess to what extent the policies and decisions taken by them had added value to the Nation.
- In addition to ensuring accountability and transparency in Public Financial Management the OCAG is willing to ensure its own accountability and transparency to the Tax Payers, the Legislature as well as to other stakeholders. The Annual Report of the OCAG, therefore, highlights on the achievements made and challenges faced during the year in fulfilling its mandate and responsibilities.
- Scarcity of human resources is a serious problem in OCAG for which fulfillment of its constitutional obligation is put at risk. Where the public expenditure during the past decades has been increased manifold, the manpower of OCAG has been decreased to almost half from its original approved structure. This has severely reduced OCAG's audit coverage resulting in a challenge for OCAG to ensure financial accountability in the public sector as a whole. The OCAG is now in a process of hiring its bottom line human resources to fulfill this gap and overcome this challenge.