

CAG's Governance Framework

Mandated by The Constitution of the People's Republic of Bangladesh, the office of the Comptroller and Auditor General (OCAG) promotes Good Governance, Accountability and Transparency by providing high quality audit reports on the Public Accounts of the Republic and of all courts of law and all authorities and officers of the Government. As the CAG, in the exercise of these functions is not subjected to the direction or control of any other person or authority, it develops confidence amongst public at large and provides independent assurance to the stakeholders viz., the Parliament, the Executive and others that public funds are being used efficiently and for the intended purposes.

The overarching **CAG's governance framework** comprises both, **legal framework** and **operational framework**. While the legal framework consists of CAG's mandate and the statutory principles which are binding for the auditor and the auditee, the operational framework engulfs all auditing standards, instructions/guidance issued with an operational focus in a hierarchical order.

1. Legal Framework

The mandate of CAG in relation to Audit and Accounts of the Republic is derived from the Constitution of Bangladesh and Act of Parliament. Legally, any person authorized by the CAG on his 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. The CAG issues all binding principles for both auditor and auditee through Audit code so as to provide independent assurance that public funds and resources are used in accordance with the law, managed to good effect and properly accounted for and to contribute to improvement in public service delivery.

- a. Constitutional Mandate:** The Constitution of Bangladesh ([article 127-132](#)) has entrusted the Comptroller and Auditor General of Bangladesh with audit responsibilities of public accounts of the republic. By virtue of the constitutional mandate, CAG independently audits the accounts of the government including all expenditures from consolidated fund, all revenues¹ credited to consolidated fund, all receipts and payments in relation to public account of the republic and all balances, and submits audit report to the President for laying it before Parliament.

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 by the Auditor General... [article: 128(1)]

The Auditor General, in the exercise of his function under clause (1) [article 128], shall not be subject to the direction and control of any other person or authority [article: 128(4)]

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. [article: 131]

CAG is also responsible for prescribing forms and manner for the public accounts. Accordingly, CAG has issued [Account Code: Volume- I to Volume IV](#) and ensures its compliance through its Operational Framework.

- b. Statutory Mandate:** In line with article 128(3) of the constitution, additional functions have been assigned to CAG by the Parliament by enacting [Comptroller and Auditor General \(Additional Functions\) Act 1974](#). This Act establishes CAG as the auditor of statutory public authorities, public enterprises and local authorities. The CAG therefore envisages adoption of national and international best practices in public sector auditing and accounting and be recognized for independent, credible, balanced and timely reporting on public finance and governance.

Notwithstanding anything contained in any other law for the time being in force or in any memorandum or articles of association or in any deed, the Auditor-General may audit the accounts of any statutory public authority , public enterprise or local authority and shall submit his report on such audit to the President for laying it before Parliament. [section: 5(1)]

- c. Audit Code (Rules):** CAG issues rules for Audit under the [Audit Code](#) that provides essential direction, basic auditing principles and procedures for audit. The rules are statutory hence binding for the auditor and the auditee. Detail instructions and regulations governing procedure have been relegated to guidelines and manuals.

¹ CAG has the legal authority to audit assessment of tax performed by any authority under Income Tax Ordinance, 1984. Supreme Court of Bangladesh, Appellate Division in its judgement (dated 04-01-2022) on Civil Petition for Leave to Appeal No.2365 of 2020 (arising from the judgement given by High Court Division on W.P. No. 5151 of 2015) reinforced the notion that CAG has the authority to audit assessment of tax pursuant to the constitutional mandate and relevant statutory provisions. In the same judgement, the apex court further opined that **wherever** income and expenditure of public money is involved, the CAG has power and authority to conduct audit to ascertain the propriety, legality and validity of it.

2. Operational Framework

The operational framework of CAG includes all instruments which provide standards, detail guidance, specific instructions and practice notes for audit focusing more on application under the governance framework. OCAG has been continuously striving to upgrade and update its auditing operational practices as part of its overall endeavor to achieve professional excellence.

- a. Auditing Standards:** As the head of the Supreme Audit Institution (SAI) Bangladesh, CAG sets high professional standards for his organization as well as for the individual auditors. Such high standards are the guiding principles of the operational framework and all other subsequent instructions or guidance stem from it. [Government Auditing Standards of Bangladesh](#) (GASB) including [Code of Ethics](#) and [Quality Control System](#) together are effective steps to discharge the responsibility entrusted by the constitution and Act of Parliament. The standards that are developed based on International standards on Supreme Audit Institutions (ISSAI) serve twin purposes: a) They guide auditors to achieve technical excellence as the hallmark of any effective public sector audit institution; b) They also inform stakeholders – the members of Parliament, the executive and people in general – about philosophy, working practices, internal quality control system and above all, the ethical practices that are being followed by the office of CAG. Part I of GASB stipulates the general principles of audit which are common to all types of audit while Part II, III and IV applies to financial audit, performance audit and compliance audit respectively.
- b. Audit Guidelines:** Following the high-level Auditing standards, the audit guidelines constitute the second layer of the operational framework. Audit Guidelines for three audit streams ([Compliance Audit Guidelines](#), [Financial Audit Guidelines](#) and [Performance Audit Guidelines](#)) are expected to assist the staff of OCAG to carry out quality audit in accordance with the mandate, directions and standards. Drawing from international best practices, these guidelines have been prepared in keeping with local contexts and settings. The guidelines emphasize planning, performance and documentation of audit processes and procedures that would help produce high-quality audit reports. These are prescriptive instructions from CAG and solely for internal use of OCAG. These guidelines are however, common to all audit offices rather than specific to a particular office or subject matter.
- c. Audit Instructions:** These are [instructions/guidance](#) issued from time to time by the CAG with a view to address either specific matters which are hitherto not covered in guidelines or any new aspect or policy matter that may come up with regard to audit.
- d. Practice Notes:** [Practice Notes](#) are intended to assist auditors in applying auditing standards of general application to certain circumstances and specific group of industries. The objective is to provide guidance on application with an operational focus.
- e. Manuals:** Subject-wise and Office-wise manuals act as supplementary instruments to Auditing Guidelines.
 - i. [Subject-wise manuals](#) elaborate auditing details on a particular subject e.g. Public Procurement Audit Manual. Subject-wise manual is usually issued either by CAG in case the subject covers audit areas common to more than one audit directorate or by individual audit directorate in case the subject is specific to the concerned Directorate.
 - ii. Office wise manual ([Office Procedure Manual](#)) details activities in relation to both audit and administrative functions of each audit Directorate. Detail instructions on procedures applicable at each stage of an audit engagement are stipulated in these manuals.
- f. Handbook:** Procedures which require specific technical know-how to perform could be facilitated through use of supporting handbooks. [Handbooks](#) typically focus on day to day requirements of practical aspects of procedure performed in a certain type of audit. Handbooks are usually issued by the individual audit Directorate and act as supplement to the Manuals.

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