

STATE AUDIT AS AN AID TO GOOD GOVERNANCE

BY

MD. SHAHAD CHOWDHURY

THESIS PRESENTED FOR THE DOCTOR OF PHILOSOPHY DEGREE

DEPARTMENT OF ACCOUNTING & INFORMATION SYSTEMS

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Dedicated to my mother Sadia Begum  
who taught me never to succumb to despair

And

My father Abdul Jalil Chowdhury

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Finally, I express my gratitude to all forgiving Almighty who gave me the strength and courage from the beginning to the end to bring this task to a closure.

## **DECLARATION**

As a part of requirement for Doctor of Philosophy degree I submit this thesis titled ‘State Audit as an aid to Good Governance’ to the department of Accounting and Information Systems, University of Dhaka.

Md. Shahad Chowdhury

Academic year 2005-2006

Re Admission 2010-2011

**CERTIFICATE**

I hereby certify that the thesis titled ‘State Audit as an aid to Good Governance’ has been written by Md. Shahad Chowdhury for a Doctor of Philosophy degree. He was supervised by me as per the rules of the University.

Dr. Riazur Rahman Chowdhury  
Professor  
Department of Accounting and Information Systems  
University of Dhaka

### **Abstract**

The study titled ‘State Audit as an aid to Good Governance’ is done to examine the contributory role of state audit and how improvement of governance of public purse is influenced by the same. Ensuring a quality life for the citizens as stipulated in the Constitution in a democratic environment with limited resources requires presence of State Audit and Governance in the affirmative stance. To augment the process, state audit deserves to be put on the front line as it is the tool to find the flaws and suggest ways of mending the gaps. But this happens only when certain characteristics of state audit corroborate with some inherent parameters of good governance. The research has been carried out to identify the factors responsible for the poor status of state audit, and suggest ways for strengthening their impact on governance. The study attempts to find out the inherent characteristic of State audit and Good governance in order to establish the extent of their interdependency. It is the outcome of an in depth interview based qualitative research. It has been found that if state audit is based on acceptable and applicable standards with reasonable assurance of information that it provides, it can be the effective tool for good governance. Existence of state audit with such qualities can help create awareness among the auditees about urgency of audit requirement. Furthermore, it would facilitate making choices in setting priority of execution of decisions and ensuring accountability of performance of both auditor and auditee leading to good governance.

**Keywords:** State audit, Good governance, Assurance, Acceptability, Applicability, Effectiveness, Awareness, Preference, Execution, Accountability. Preemptive audit, Policy audit, Ethics and Political willingness.

# **Chapter 1**

## **Introduction**

### **1.1 Background**

In a limited resource economy the significance of strict control of the public purse with meticulous observation of financial rules and rigorous examination of the ways how government funds are used for achieving national goals can hardly be overemphasized. The overriding consideration for allocation of resources immediately after the birth of Bangladesh with a sizeable deprived population was to allocate scarce resources on the basis of priority selection and wastage minimization. The same spirit was echoed in the Constitution which stipulated that it should be a fundamental responsibility of the State to retain, through planned economic growth, a constant increase of productive forces and a steady improvement in the material and cultural standard of living of the people with a view to securing its citizens the provision of basic necessities of life including food, clothing, shelter, education and medical care.<sup>1</sup>

Those who developed the vision for the country were prudent to distribute the fund on sectoral priority. But all means did not end well. During the

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<sup>1</sup> Article 15, The Constitution of the People's Republic of Bangladesh



nascent stage of development the institutional arrangement to oversee the state performance lay with the Auditor General who based his work on examination of execution of financial rules and orders only. Any analysis of budget allocation and expenditure and a comparison of the amount involved in the audit objections raised during the period will intrigue any avid researcher to enquire into the causes of non achievement of the desired objectives for which the national goals were set during that time.

Ever since the independence expenditure of the government has increased, so also have pilferage, wastage, fraud, forgery and misappropriation. Successive Auditor Generals' report bears the testimony. At the same time, the issues of adherence to audit suggestions have largely been ignored by the auditee. Reasons for such attitude can be ascertained by analyzing the socio economic perspective of the period when such objections were raised.

In the early fifties the country was in a state of restlessness due to direct threat on its culture by the foreign rulers. The question of financial discipline was of less concern to those who spent the money and indiscipline galore in the area of public finance and expenditure as the spending authorities took advantage of unstable situation.

Again in the sixties when some money was infused in the economy the account keeper and the user of those monies were more concerned with how the money was to be spent rather than why the money was to be spent. The nature of audit observations remained the same. In the late sixties when the question of liberation war became conspicuously prominent the spenders of government money again closed their eyes and ear to audit findings and audit observations

After independence state audit raised objections on financial irregularities. But persistent non-compliant attitude of the auditee marred the goals of audit. Reasons put forward for such attitude are attributed to the inadequacy of information, lack of substantive evidence and poor quality of write up of audit reports. The members of the Public Accounts Committee express dissatisfaction about the quality and contents of the reports. The development partners often raise questions on the effectiveness of audit itself.

Reasons may vary but fact remains that with the volume of budget escalation resultant audit responsibility also rises. This can be gathered from some historical figures. For example, in 1913-14 the total central and provincial budget in India was rupees 125 Crore only. It went up to 211 crore in 1936-

37 showing 60% increases in 23 years. The budget in Bangladesh was TK 808 crore in 1972-73 being Tk 224 crore and Tk 584 crore in revenue and development respectively. The amount of budget and expenditure as it stands now amounts to Tk 250506 crore (2014-2015). With the size of these budgets expectation of all the stakeholders also rise for true and fair information.

Parliament approves the budget, the ministries, divisions and departments spend the money, and the head of Supreme Audit Institution examines the records and provide relevant and reliable information to parliament on government's performance. Parliament in turn holds government to account requiring it to take corrective action based on the information provided by the C&AG, the head of Supreme Audit Institution.

The present day C&AGs of the world address issues as to whether the government is keeping proper accounts and records and presenting its financial information accurately; whether the government collects or spends the amounts for the purposes intended by the parliament and if programmes and activities run economically, efficiently and effectively. On the latter issue, increasing attention is being paid by developed countries like Canada, where value for money audit is practiced. The report on matters of special importance published by OACG Canada, 1999 carries comments of the

Auditor General like ‘improving performance has become a pressing need for the governments in the closing of the 20<sup>th</sup> century. Even in good times it is important that we set affordable limits on spending and live within them. Without better information on the results of the government programmes, Canadians cannot know what they get for the taxes they pay.’

Conversely a look into the nature of audit objections raised by the C&AG Bangladesh in 1997 crowd among theft, embezzlement, fraud and so on. Misappropriation calculated at 45.57 percent in the ministry of Health and Family planning, improprieties accounted for 71.43 percent in the ministry of land; loss, damage and wasteful and infructuous expenditure accounted for 59.15 percent in the ministry of local government and Rural development<sup>2</sup>. Traditionally the objections raised on the ministries indicate how the money has been ill spent rather than why the lapses have occurred. By analyzing the wrongdoings of spending agencies the state of poor governance can be assessed. Current audit does not conduct this analysis.

## **1.2 Area of Study**

In the backdrop of distinctive features of state audit and its pervasive role and the situation prevailing in Bangladesh, an attempt has been made to investigate the linkage between state audit and governance. In this thesis the

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<sup>2</sup> Auditor General's annual report 1997, pp 58,60,64, Dhaka

value addition aspect of state audit and how greater dependence on it for good governance could be initiated through qualitative changes in audit is studied. For the purpose of the research, the concept of governance has been viewed as something far more comprehensive than administration; whereas state audit is viewed not merely as a means of financial control but also possessing some attributes conducive to improvement of the status quo.

In the definitions on governance hardly any reference is given about audit. Like many other factors it remains on the sideline. But for countries where less or meager resources, rampant malpractice and corruption, poor sense of accountability and transparency remains a pervading factor, audit, particularly, state audit as an element of governance has a significant role to play. This research purports to show how the role of state audit can be strengthened to place it as an in escapable aid to good governance.

The enquiry into developing the humane trait of audit is also made as an attempt to put state audit beyond its general perspective of fault finding only. Imposing humane trait places the task of audit to a deeper level of re-conceptualization. Merely certifying the financial statements with no comment on how effectively the control and command on financial discipline is established makes the impact of state audit incomplete. Unless state audit plays a complementary role through furnishing appropriate

information for effective decision making it cannot be termed as complete audit<sup>3</sup>.

State audit stands guard against intrusion of evil spirit of man in the form of fraud, forgery, overspending, and misuse in the domain of truth of governance for the people. Effective governance implies effective accountability. An auditor by adding value and credibility to information enhances the quality of governance which is fundamental to democracy. However the Supreme Audit Institution (SAI) in Bangladesh, commonly known as the office of the Comptroller & Auditor General often suffers from significant institutional and operational limitations, such as ineffective audit planning, absence of comprehensive reporting, executive interference, lack of budgetary independence, and scarcity of skilled audit staff , to name a few.

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<sup>3</sup> As audit is an augmenting tool for attaining ultimate objective ‘complete audit ’ is an indication where the task of audit is done with the goal to help public sector attain its mission.

### **1.3 Objective of the study**

Ever since the independence of Bangladesh the budgeted expenditure of the government has increased manifold. At the same time audit objections on wastage of government money has also mounted.

State audit has evolved beyond an emphasis on minimizing waste, abuse and fraud and ensuring compliance with authorities to improving services to society by promoting value for money in decision making and enhancing organizational performance. The issue of good governance is increasingly becoming synonymous with public sector administration. In the public sector context the complexity of the nature and regulation calls for the application of a mechanism that is both representational and contextual. State audit is widely regarded as such a mechanism. The role of state audit calls for need based innovative technique and reporting system to effectively cater to the demands of the diverse stakeholders.

The age old conception that auditor is the watchdog and has nothing to do with auditees' performance and he is to refrain from playing any role in policy making positive for development needs serious rethinking. More reliance on audit for good governance is increasingly causing researchers to find out rhyme and logic of state audit. It is said that auditing has its

principal roots not in accounting which it review but in logic in which it leans heavily for ideas and methods (Mautz and Sharaf, 1961) A proactive role of state audit require familiarization with the state of the art, knowledge, a visionary change in the mindset, and an imposition of humane trait in the profession.

#### **1.4 Importance of the Study**

Democratic norms and values are institutionalized with the growth of transparency and accountability consciousness in public administration and management. Increased awareness has developed on the part of the people of the less fortunate countries to catch up with more fortunate ones. The resultant change has enhanced expectations of the people to have higher quality of life. There has been consequent demand in the government to strive towards economic growth and development, ensuring basic needs of the people, a strategy for human resource development, and a higher quality of life. As governance permeates all these aspects, development of a strategy for proactive interface through study of state audit will help all the stakeholders including the development partners. However it needs to be recognized that improvement efforts in the whole spectrum of audit will require unflinching political commitment.



The public sector plays a major role in society and effective governance in the public sector encourages the efficient use of resources, strengthen accountability for the stewardship of those resources, improve management and service delivery, and thereby contribute to improving people's lives. Effective governance is also essential for building confidence in public entities-which is in itself necessary if public sector entities are to be effective in meeting their objectives<sup>4</sup>. Because government organizations act as stewards to use resources and have authority to accomplish national goals, governments must account for how these resources have been used and the objectives have been accomplished. Accordingly, good governance requires regular financial and performance reporting that is validated for fairness and objectivity by the state audit. Accountability also implies imposing penalties or sanctions against those who have misapplied the resources for purposes other than intended.

A key institution engaged in ensuring governance of public expenditure is the Supreme Audit Institution. Since better governance is dependent on better accountability, a better management of state audit can lead to a better result of governance, the effect being qualitative improvement of the way of public service.

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<sup>4</sup> International Federation of Accountants 2001

The current practice of state audit in Bangladesh to assure effective governance seems to have remote prospect. The reasons are lack of presentation of timely meaningful information for the policy makers and the way how audit is carried out with negligible connectivity with global best practices, to mention a few.

This primarily qualitative research is carried out to find out the features of state audit primarily impacting on good governance and to establish a relationship between the two. The study also focuses on the structural and operational limitation of state audit affecting the quality of governance. The precept being good governance is dependent on the qualitative improvement of state audit.

### **1.5 Chapters design**

Following are the description of the chapters arranged for the dissertation.

In chapter 1, the objective and importance of the research is explained. The status of governance in the context of state audit is taken as the main theme.

In the area of study inclination is towards building a direct relationship between good governance and state audit.

In chapter 2, the methodology applied for the study is explained. As the stakeholders include a wide range of personalities like Parliamentarians,

Principal Accounting Officers, Comptroller & Auditor Generals, Academicians, Director Generals of audit directorates and Audit Team leaders at field levels, stratified random sampling is chosen under survey method.

In Chapter 3, literature review is done to highlight the contextual relevance and research significance of audit in general and state audit in particular vis-a-vis the notion of governance. The review has also provided the necessary impetus towards identification of bases of theoretical framework..

In chapter 4, theoretical and conceptual frameworks is developed showing how the inherent features of state audit need to be equated with the pertinent features of governance to make governance good. A model has been developed based on the features like Assurance, Acceptability, Applicability and Effectiveness of state audit having impact on Awareness development to set Preference for Execution of national plans to set the Accountability tone in motion..

Chapter 5 contains a description of the status of public sector audit as it is practiced in Bangladesh, its structural and operational arrangement to ascertain its capability to influence governance.

In chapter 6, detailed analysis based on the responses received on the questionnaire and interviews with notable stakeholders is presented which mostly echoes the hypothesis that state audit is an aid to good governance.

Chapter 7 is constructed to reflect the findings with recommendations that transpired from the analysis.

## **Chapter 2**

### **Research Methodology**

This chapter contains description about the tools applied to conduct the survey through qualitative data analysis. The focus is on the description of the rationale of selecting the sample size from the huge size of population. It describes the modality of both primary and secondary data collection process involving and open ended questionnaire for interview with the selected notable personalities and structured questionnaire for general data collection and relevant document study supporting the hypothesis.

#### **2.1 Introduction**

Discussion about the concept of ‘Governance’ has remained as a subject of serious concern since the second half of the last century. This has become particularly prominent in the context of public financial management. Equally ‘Public Sector Audit’ is also gaining more attention for the absence of its contributory role in governance. As such in countries where lack of accountability and practice of corruption are conspicuously prominent the role of state audit and good governance connectivity becomes an issue of a rigorous study.

Questions are raised by the academicians, intellectuals, professionals and policy makers, and citizens at large about the quality of governance, often terming it as weak governance in Bangladesh. The status of state audit is also not attributed with honour. Inquiry may be pursued to find out whether a meaningful state audit practice can help develop a strong financial management system to ensure good governance under a democratic environment.

This research emphasizes identifying the direct relationship between audit and governance. Enquiry has been carried out to see how and why the inner characteristics of state audit as practiced by SAI Bangladesh are not contributing to good governance. To gain qualitative information interview based on a semi open ended questionnaire was conducted.

## **2.2 Rationale of the Methodology applied**

‘Research is a systematic investigation to find answer to a problem’ (Burns, 1994). In this study, some selective characteristics of state audit and their resultant effect on governance have been enquired into by way of systematic investigation towards establishing improved connectivity or linkage between environmental expectation, state audit and good governance. According to Kerlinger (1973), ‘the research follows a process involving three interactive

phases: the conceptual phases; empirical phases and the interpretative phases.’ For the purpose of the study, information based on personal views and experience of groups connected with state audit have been gathered and analysed.

This research is descriptive and exploratory in nature and qualitative in character. In this research prevalent status of state audit and governance is explored and the causal relationship for dependence on each other is investigated based on useful interview in identifiable local context.

Broadly, the method followed to collecting data according to the distinct objective of the study principally concentrated on open ended interviews. The researcher’s more than two and half decades of experience in the field of state audit, and the cohesion formulated with strategic groups both internal and external to the state audit environment are put to test to uncover and explicate the ways in which people in particular ( work) settings come to understand, account for, take action or otherwise manage their day to day situation, (Maanen,1979). For the purpose of this research, the field or situations are the work environment, explicit or implicit rules and regulations, the structure that holds the objectives or goals for which stakeholders strives. More precisely, the attempt is to capturing qualitative

data with this approach helps to gain a holistic (systematic, encompassing, integral) overview of the context under study. The researcher focuses on data in the form of words, which is language in the form of extended text. The words are based on experience, interviews and documents studies.

Considering the type, quality and level of respondents of the study, an open ended questionnaire is used to gather information on how state audit is perceived and defined to construct reality in the context of good governance, (Punch, 1998). A set of structured questionnaire also have been used to supplement the responses. These questions were formulated on the basis of key dimensions of the model developed for the purpose. This stimulus-response interview helped in gathering in depth information from the interviewee as their responses germinate from the real life situation than emotional responses, (Fontana & Frey, 1994).

In both qualitative and quantitative research, sampling is the preferred technique. As sampling means choosing a few from the total population, reliance on some careful sampling is a determinant in qualitative research. As the findings involve drawing sample to population inference, sufficient attention is given in choosing sample size. Broadly the interviewees included



Members of Parliament, C&AG Auditors, Bureaucrats, Academicians, International Experts/ Consultants.

For the purpose of the study information based on views and experience the population is divided under the following categories;

- Those who are involved with the task of state audit at ground level i.e. spread across the country under different audit directorates and those who are involved in the planning, supervision and reporting level i.e. those who are involved at the top level of audit management.
- Those who are constitutionally responsible to get the state audit done i.e. the Comptroller and Auditor Generals.
- Those who are accountable for the audit findings and their follow up i.e. the Principal accounting Officers designated as Secretaries to the Government.
- The members of the Public Accounts Committee, the supreme oversight agency on behalf of the Parliament empowered by the Constitution.

- Conscious citizens of the country, i.e. academicians, international consultants and representatives of donor agencies, members of professional bodies, Adviser to care taker government concerned about the works of state audit affecting good governance.

For the purpose of gaining qualitative data the representative sample is chosen mainly on their availability in case of field level auditors and director generals. The existing number of field level audit parties are 248 rotating in each quarter of the year; out of which 75 team leaders are randomly sampled representing 30% of the available audit teams. It may be mentioned that each audit party is composed of either 2 or 3 members.

The heads of the Audit directorates are engaged in the audit planning process and the team members are engaged in execution of audit at the field level. Considering the smaller size of the population, amongst the 10 Director Generals of Audit directorates, 100% of them have been selected for the purpose of the interview.

Secretaries of the ministries are the Principal accounting officers responsible for utilization of the budget both Revenue and Development placed under him. The secretaries are the bureaucrats engaged in implementing

government goals and objectives enunciated in the budgetary documents, mission and vision statements.

Out of 39 Secretaries of the different ministries 20 have been interviewed representing just over 50 % of the top ranking bureaucrats engaged in the governance process. Because of paucity of their time and busy schedule the whole group of secretaries could not be interviewed.

Comptroller and Auditor General is the head of Supreme Audit Institution. The Comptroller and Auditor Generals covering a long span of time mostly providing Parliament with information are the reservoirs of knowledge about the system working to make governance effective. Covering a period of nearly 2 decades, 5(Five) Auditor Generals including the present one have been interviewed. Each member of this honorable group of interviewee has worked in the world of state audit phenomenon through local and international Endeavour and has immense experience both within and outside audit department.

The Parliamentarians selected are the members of Public Accounts Committee, the oversight agency stipulated by the Constitution and one chairman of PUC, a bureaucrat-turned into politician, has also been chosen. The honorable parliamentarians have very long experience in the helm of

parliamentary affairs, decision making and governance process with ample knowledge of the factors influencing governance through state audit. Out of 15 honorable members of Public Accounts Committee, 12 of them have been interviewed. In spite of their busy schedule they managed to spare sometime for this researcher. Chairman of the Public Under taking Committee is also one amongst the interviewees.

Academicians and the intellectuals are the concerned citizens of the country aware of the status of poor governance of public purse. In the absence of any structural identity a special group of people termed as ‘Others’ have been chosen for the purpose of this study. They are 25(twenty five) in number. They include academicians, adviser to the caretaker government, representative from donor agencies and international consultants interested in state audit contribution and improvement in governance process.

For the purpose of this study secondary sources of information like field level inspection reports, advance and draft reports at the directorate level, C&AG’s annual audit reports and activity reports, Special and Issue base based studies and reports, , Public Accounts Committee proceedings, national and international contemporary study reports including authoritative texts on Audit, State audit and Governance have also been consulted.

The functional and organizational structure of the SAI Bangladesh is also analyzed. The reports submitted by the C&AG to the President, discussed in the parliament, reports yet to be placed in the parliament are also studied to identify the relevance and value in the context of decision making and subsequent governance.

To analyze the reports, case studies have been carried out to find the type, nature, characteristics of objections, period covered, format, language and style of the reports and their conformity with international standards. From the proceedings of parliament paragraphs selected for discussions, volume of expenditure involved in the audit paragraphs studied, nature of audit objections, decisions taken on them , follow up of proceedings as per decision, instructions issued to C&AG, response from audited are also studied.

Given nearly two and half decades of experience of the researcher in different audit directorates including three branches of government accounts-Civil, Military and Railway, access to documents and the distinguished personality has also become favorable for the study.

The justification for sample to population representation needs to be clarified at this point. The members of the PAC have been interviewed as

they sit at the helm of decision making and oversee how means are supporting the deeds. Constitutionally empowered, the PAC deliberates on the C&AG audit reports placed before the Parliament. The Secretaries who are Principal Accounting Officers are those responsible for the execution of the programmes of the government and maintaining the principles of financial discipline. The spirit of the Constitution dictates that the C&AG auditors are responsible to ensure that no deviation occurs. The reports presented in the Parliament become the public documents to all stakeholders including the academics and members of civil society. Among those who administer audit on behalf of the C&AG and those who conduct audit at the field level are the Directors General and the Audit Teams leaders respectively. The reason for selecting the audit group and the method applied rests on the fact that their number is substantially high and the information needed from them are more of factual and opinion based.

Advisers to a care taker government and academicians have been interviewed as this part of population is concerned with state audit and its impact on governance. International consultants/experts from Britain and Canada involved with state audit strengthening reform programmes have also been interviewed.

### **2.3 Documentary Analysis**

Some relevant and important documents consulted for the study are the following:

- The Constitution of the Peoples Republic of Bangladesh
- Rules of Procedures of the Parliament
- Reports prepared by CAG submitted, discussed and awaiting discussion and submission
- Study reports of donor agencies
- Reports under preparation at the audit directorates
- Government Audit Standards and Code of Ethics
- Academic publications relating to Audit, Governance and the Public sector literature.

### **2.4 Interview and Surveys**

The target group for conducting survey and interview are categorized as follows:

1. Chairpersons and members of PAC, Chairperson PUC
2. Comptroller and Auditor Generals

3. Principal Accounting Officers commonly known as secretaries
4. Director Generals of Audit Directorates
5. Members of Audit teams
6. Academicians and members of civil society, Adviser to the caretaker Government, official from ADB and international consultants termed as 'others'.

The status of the respondents based on the positions held, depth and diversity of experiences, and strategic role in policy formulation and implementation justifies their selection.



## **Chapter 3**

### **Literature Review**

The subject of state audit has been occupying a status of prominence since the days of city states or even earlier than that time. As the science and art of auditing evolved over last two centuries, significance of state audit in the scrutiny of public purse has also reached new heights, particularly in impacting governance. In this chapter attempt is made to find out the process of development in those areas as revealed in contemporary texts, articles, research reports, and seminar and workshops proceedings, national and international discourse. The chapter includes narration of the definitions of audit, state audit and governance in the beginning and then analysis of significant prior studies on state audit and governance, which helps identification of causal relationship of dependence between the two. Effort is made to indicate un spelt linkages presence of which can build up the pro active connectivity between state audit and good governance

#### **3.1 Auditing - the indicative signs**

That the science and art of auditing evolved with some signs and symbols are testified by the accountancy historians and auditing researchers. Mesopotamian (3600-3200 BC), Egyptians, Greeks and Romans had

systems of checks and counter checks of financial records and transactions. Tiny marks, dots, ticks and circles at the side of the figures were found during ancient period indicating that these figures have been checked (Kenneth, 1959).

Oxford English Dictionary gives five definitions for the noun; ‘audit’ : ( 1) statement of accounts, balance sheet; (2) periodical settlement of accounts between landlord and tenants; (3) official examination or verification (4) hearing, enquiry, judicial examination; (5) reckoning, settlement, especially on the Day of Judgment. These definitions all stem from the Latin ‘audire’ meaning to hear or hearing. Each evokes the principles of scrutiny, examination and passing of judgment. In every case of hearing (or monitoring) is a public inspection –what (Power, 1997) calls a ‘ritual of verification’.

Traditionally audit over the ages is viewed as a system that protects the interest of the owners of business or otherwise. Those historians working on accounting find the roots of auditing closer to origin of accounting. According to Brown (1905) as quoted by Mautz and Sharaf (1961)<sup>5</sup>, “The origin of auditing goes back to times scarcely less remote than that of accounting. Whenever the advance of civilization brought about the

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<sup>5</sup> Mautz, R.K., and H.A. Sharaf, *The Philosophy of Auditing* ( American Accounting Association, 1961).

necessity of one man being entrusted to some extent with the property of another, the advisability of some kind of check upon the fidelity of the former would become apparent.” This onus of trust follows throughout the history giving audit a sage demeanor.

To last century British scholar like Dicksee (1900) audit is a subject that focuses on fairness. He defines it as an examination of accounting records undertaken with a view to establishing whether they correctly and completely reflect the transactions to which they relate. While the American version of auditing developed by Montgomery (1912) broadened the scope of auditing to a systematic examination of books and records of a business or other organization to determine or verify and to report upon the facts regarding its financial operation and result thereof. While Mautz (1961) agrees that auditing is concerned with the verification of accounting data, with determining the accuracy and reliability accounting statement and reports. Flint (1988) assigns it as a task of assuring credibility to data audited.

As cited by Regan (2004)<sup>6</sup> there are widely held interpretation of definition of audit like, ‘ Auditing is a systematic process of objectively obtained and evaluating evidence regarding assertions about economic actions and events

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<sup>6</sup> Auditor’s dictionary-Terms, Concepts,Processes and Regulations by David Do’ Regan (2004), John Wiley & Sons Inc, USA

to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested parties (American Accounting Association, 1973). About the purpose of audit Flint (1988) comments, '---- to investigate and review the actions (or inaction), decisions, achievements, statements or reports of specified persons with defined responsibilities, to compare these actions etc with some norm, and to form and express an opinion on the result of that investigation, review or comparison'. While to Lee, (1993) audit is a means of 'monitoring the behavior of agents' in the context of 'agency theory'. Perhaps the definition of audit in the philosophical context is given by Schandl (1978) stating 'Auditing is human evaluation process to establish the adherence to certain norms, resulting in an opinion (or judgment).'

Evolution of audit in a classical context follows periods pre and after the industrial revolution. The period is divided as pre 1840, 1840-1920, 1920-1960, 1960-1990, 1990 onward (Heang and Ali, 2008)<sup>7</sup>.

According to those writers prior to 1840 auditing was restricted to performing detailed verification of every transaction. Fitzpatrick (1939)<sup>8</sup> commented that audit objective in the early period was designed primarily to verify the honesty of persons charged with fiscal responsibility.

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<sup>7</sup> LEE Teck-Heang, Azham Md. Ali (2008), The evolution of auditing: An analysis of the historical development in the Journal of Modern Accounting and Auditing, Vol 12 (sl. 43) ,USA

<sup>8</sup> Fitzpatrick (1939), The story of book-keeping , accounting and audit

During period 1840-1940s the emergence of large scale industrial and commercial enterprises and advent of joint stock companies there was change in the role of auditors. During this period the role of auditors were mostly detection of fraud and portrayal of the company's solvency or insolvency in the balance sheet.

During 1920-1960s shift of the focus of audit functions from prevention and detection of fraud and error to providing credibility to the financial statements, to assessing the truth and fairness of the Company's financial statements, use of sampling techniques and reliance on internal controls added to the evolution process of audit.

During 1960-1990 the role of auditors generally remained the same. But some critical development took place during this time. Provision for advisory services emerged as a secondary audit objectives. Computer systems entered in the audit process.

The evolution during these phases was influenced by the demand of propriety relationship, advent of industrial revolution, expansion of business enterprises with corporate characters, Fattah (2013), and large scale inclusion of technological knowhow.

Despite the overall audit objectives remaining similar, over time auditing shifted from a detailed focus on confirming or validating individual transactions to evaluating the effectiveness of the systems that control transactions (Waring, 2002). Over time giving definition of audit becomes a creative persuasion. It becomes much wider than its original repertoire and gets new meaning influenced by its objectivity. As stated by IAASB (2009) the auditor's overall objective is to obtain a reasonable assurance as to whether the financial statements are free of material misstatement and they are prepared free from error or fraud and to enable the auditor to express an opinion as to whether financial statements are prepared in accordance with an applicable reporting standards.

Today, auditors are expected not only to enhance the credibility of the financial statement, but also to provide value-added services, such as reporting on irregularities, identifying business risks and advising management on the internal control environment (Cosserat, 2004). As 'true and fair' statement does not always reflect the fairness of the intent of the scrutinized rethinking of such certification is gaining importance. Under the circumstances, cases like the Sunbeam, Waste Management, Adelphia, Enron and WorldCom in the private sectors lead to adoption of new rules and laws in the near past.

### **3.2 State Audit - the way to highlight stewardship of public purse**

It is assumed that the origin of state audit is grounded in Aristotle and Kautilya's work on governance mentioned by historians and scholars. In the book VI in *The Politics*, Aristotle reviews public offices those are necessary within the democratic state. At one stage he states that: since some, not to say all, of these offices handle the public money, there must of necessity be another office which examines and audits them, and has no other function. Based on this concept offices like Supreme Audit Institutions, commonly known as office of the Comptroller and Auditor Generals came into being at a later stage. However state audit got its base on the postulate of audit as we understand: examination of books and accounts and forming opinion on them.

For quite sometimes, the history of state audit remained a history of traditional audit. The traditional audit and reports thereon normally are concerned with whether money has been misappropriated, expenditure has been made within the budget, lowest bidder has been accepted or not and so on. Less is concerned in audit with the justification or need for such expenditure or the results coming out of such spending. Keeping the basic auditing standards, some changes have taken place with the requirement of the stakeholders for whom the audit is conducted.

During the 1980 and 1990 audit migrated from its original association with financial accounting into new domain of professional life and in the process came to acquire a new set of meanings and functions. A gradual change has taken place in the role of state audit. The shift from a simple technique to mere examination of regularity of government expenditure against budget appropriation to an important organ of the democratic polity, engaged in sophisticated performance evaluation of public financial `operation in a planned economy is a conspicuous transformation to be reckoned. Sikka (2003) have argued that meanings of the audit are determined by particular social arrangements which are always subject to change and as a result it is difficult for the audit to have a fixed meaning.

As economies grew and institutions strengthened, public expenditure also grew reflecting the broader scope of public services. A parallel evolution took place in audit. Audit expanded and traditional emphasis in ensuring legality regularity audit further developed having new nomenclature as administrative audit and appropriation audit ensuring that funds were spent for the purpose intended (OCAG Canada, 1990)

After World War 11 in USA, Canada and in some countries in Europe like Sweden and West Germany, elected representatives of the people started



demanding information on efficiency and effectiveness of public expenditure. They expected a greater accountability of public funds. Audits started looking for programme accountability (a terminology used by GAO, USA) and professional audit standards terming these audits as performance audit (James, 1992). The first of such global demand for performance audit was manifested in the Ninth Congress of the International organization of Supreme Audit Institutions at LIMA in 1977.

Performance audit is termed as an independent appraisal of an audited entity to determine the extent to which resources are managed with due regard to economy, efficiency and effectiveness and in conformity with applicable, rules, regulations and procedures. It is sometimes defined as an objective and systematic examination of a public sector organization's programme activity, function or management systems and procedures to provide an assessment of whether the entity in the pursuit of determined goals has achieved economy, efficiency and effectiveness in the utilization of its resources.

For the purpose of performance audit the fields are sometimes classified as audit of projects, audit of programme, audit of operations or activities, audit of themes, or subjects or issues.. It is obvious that in performance audit three

Es mainly economy, efficiency and effectiveness are the focused cardinal points. 'Economy' means the acquisition of the programme input of a given quality at the lowest possible price. 'Efficiency' means that the inputs were of such a kind or used in such a way to produce the largest possible tangible output of a given quality for the money expended. 'Effectiveness' means that the objective or objectives of the programme were achieved at the lowest possible cost, or to put the matter the other way, the desired results are obtained to the greatest possible extent commensurate with the resources provided. This type of auditing has much more effect on democracy than any other approach to verification (Kenneth & Stapenhurst, 2000).

A tripartite relationship has also been built in audit: Principal, Agent and Auditors. The officials acting as the principal's (the public), agent who must periodically account to the Principal for their view and stewardship of resources and the extent to which the public objectives have been accomplished. The third party (audit) attests credibility of the financial reporting, performance results and compliance of desired rules and regulations (The Institute of Internal Auditors, 2012)

During the 1980 and 1990 audit migrated from its original association with financial accounting into new domain of professional life and in the process

came to acquire a new set of meanings and functions. A conceptual shift took place. The shift from a simple technique to examine mere regulatory of government expenditure against budget appropriation to an important organ of the democratic polity, engaged in sophisticated performance evaluation of public financial operation in a planned economy is a conspicuous transformation to be reckoned. Sikka (2003) have argued that meaning of the state audit determined by particular social arrangements which are always subject to change and as a result it is difficult for the audit to have a fixed meaning. Audit now encompasses every field of modern working life. There are now 'health and safety audit', 'forensic audit', 'environmental audit', 'gender audit' 'social audit' even 'audit in advance' technically termed by this researcher as 'preemptive audit'. In case of audit as the word spread from its initial association with financial accounting and entered new areas of professional life, the meanings from among its original repertoire that have risen to performance are 'public inspection', 'submission to scrutiny'; 'rendering visible' and 'measurable performance' as told by Shore & Wright (2013).

With the growing complexities of social and economic development, noticeable changes have taken place in the sphere of audit. It is considered as a function that ensures accountability, a way to promoting transparency

and candidness for the governing bodies and their performance,(Sahgal, 1996). Now, audit as a dynamic word gets its place in such areas where it was hardly thought of even a few decades before. It has become flexible and freed from traditional mooring; inflated in importance and like a free floating signifier hovers over virtually every field of modern working life (Martrin, 1994)<sup>9</sup>. Audit now gets far above its financial notch and words like ‘social audit’, ‘environmental audit,’ ‘information audit’ and so on are surfacing adding new meaning to state audit.

Social and global changes have shaped the role of the auditor and hence the role of state audit. The establishment of State Audit authorities’ overtime with their distinct nomenclature bears a testimony to the fact that importance of state audit is influenced by the development in science and social demand. For example, having taken into consideration the importance of accountability aspect the office of the Auditor General of USA is renamed as General Accountability Office. However as per LIMA declaration<sup>10</sup>,” Audit is not an end itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial

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<sup>9</sup> Quoted in Audit Cultures Anthropological studies in accountability, ethics and academy edited by Marilyn Strathern, European Association of Social Anthropologists

<sup>10</sup> LIMA Declaration adopted inat 1X INCOSAI at LIMA Peru, Oct. 1977

management early enough to make it possible to take corrective action in individual cases” As a result qualitative change is seen as an urgent requirement. Question on ‘good auditing’<sup>11</sup> for better stewardship is also becoming prominent.

### **Types of Supreme Audit Institutions**

There are three basic state auditing models: Napoleonic, Westminster, or Board system. In the Napoleonic system the Supreme Audit Institution—also called the *cour des comptes* (court of accounts)—has both judicial and administrative authority and is independent of the legislative and executive branches. The institution is an integral part of the judiciary, making judgments on government compliance with laws and regulations as well as ensuring that public funds are well spent. The *cour des comptes* audits every government body, including ministries, departments, and agencies; commercial and industrial entities under the purview of ministries; and social security bodies. It is a compliance oriented system that makes legal judgments on compliance. A large number of magistrates who enjoy judicial independence serve in this system. The magistrates serving on the court imposes penalties or correction decisions. This model is used in the Latin

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<sup>11</sup> Maria Gustavsson of The Quality of Government Institute, Department of Political Science, University of Gothenburg wrote ‘Good auditing of the public sector is distinguished by recognizing the people as the principal, independence to the auditee and professionalism in the exercise of the audit practice.

countries of Europe (France, Italy, Spain, Portugal, and others), Turkey, and most Latin American and francophone African countries.

In the Westminster system, used in many Commonwealth countries (Australia, Canada, India, the United Kingdom, and many Caribbean, Pacific, and Sub-Saharan African countries), the office of the Auditor General is an independent body that reports to parliament. Made up of professional auditors and technical experts, the office submits periodic reports on the financial statements and operations of government entities—but with less emphasis on legal compliance than in the Napoleonic system. The office serves no judicial function but, when warranted, its findings may be passed to legal authorities for further action. The Westminster system is designed to have an Auditor General who makes periodic reports to parliament. The Auditor Generals usually report annually to parliament although there are some exceptions such as in the United Kingdom and Canada where reporting is more frequent. (World Bank, 2001)

The board system, prevalent in Asia, is similar to the Westminster model in that it is independent of the executive and helps parliament perform oversight. Indonesia, Japan, and the Republic of Korea, for example, have an audit board composed of an audit commission (the decision making body) and a general executive bureau (the executive organ). The president of the

board is the de facto Auditor General. The board's primary mandate is to analyze government expenditure and revenue receipt and report its findings to parliament.

A brief comparison of the three systems of state audit is reflected in guidelines of DFID policy division information note, appears as follows<sup>12</sup>:

	Westminster	Judicial	Board
SAI	National Audit Office	Court of Accounts/ Audit	Board of Audit
Head of organisation	Auditor General (one person)	Senior judge (selected by other members of the Court)	President of the Board
Period of appointment	Normally fixed number of years but can be indefinite	Indefinite with a set retirement age	Fixed number of years
Main audit focus	Financial audit	Legality audit	Variable
PAC?	Yes	No	Yes
Judicial function?	No	Yes	No
Background of SAI staff	Financial – accountants, auditors	Legal – lawyers	Variable
Follow up of audit work	Reports to PAC; PAC holds hearings and issues its own reports	Court imposes penalties or grants discharge	Reports to PAC; PAC holds hearings and issues its own reports
Centralisation/	Power centralised on	Greater division of	Most inclusive

<sup>12</sup> Westminster Judicial Collegiate; Background information; Potential strengths and weaknesses. This guidance is part of the (DFID) Policy Division Info series. Ref no: PD Info 021. © Crown copyright 2004.

decentralisation of authority within the SAI	one person – can be used to make a difference in the right hands, risk of abuse in the wrong hands	responsibilities between members of the Court but each has great power in their area of responsibility	decision making process and sharing of power but risk of being slow and cumbersome
Susceptibility of SAI to political influence .	Theoretically low as AG’s Relationship is to the whole legislature, not the government and it is very difficult to remove the AG	Theoretically low as members are judges, and are normally appointed for an indefinite period.	Could be a problem, depending on term of appointment and arrangements for appointing and removing College members
Openness / transparency	Link with PAC should make the audit process transparent	Risk of a lack of transparency if Court hearings are not open or issues are not debated by Parliament	Link with PAC should make the audit process transparent
Ability to enforce audit findings.	Dependent on effectiveness of PAC	Self-enforcing, but, in practise audited bodies may ignore Court’s rulings with little effective sanction	Dependent on effectiveness of PAC

Figure 2.1

Having described the origin and evolution of audit and state audit it would transpire that objectives of state audit have predominantly considered control aspect of audit only. Attention is given more on examination of spending mechanism than assessing contributory role of auditing. However with the



advent of performance audit in the end quarter of the last century, some voice in the process of reporting for better management of public fund is heard. This leads to forming a discrete connectivity between audit and governance.

More precisely, synthesis of definitions provided by scholars and institutions on state audit and governance show that the necessity to bridge a relationship between these two living system: audit and governance, is increasingly felt. Based on this notion a contextual model could be built.

Audit is essentially a relationship of power between scrutinizer and the observed (Foucault, 1977). Audit now encompasses every field of modern working life. A conceptual shift took place. Audit now encompasses every field of modern working life. There are now ‘health and safety audit’, ‘forensic audit’, ‘environmental audit’, ‘gender audit’ ‘social audit’ even ‘audit in advance’ technically termed by this researcher as ‘preemptive audit.’

Major changes are witnessed showing a trend towards building what may be called a ‘audit society,’ (Smith, 2004 & Power 1997), a society where audit encompasses every aspect of human life and its attributes can solely be

focused on contributory to effective governance. Consequently, there is an irreversible shift from traditional stance to a futuristic arena.

### **3.3 Governance**

The definition of governance enunciated in the dictionaries, lexicons of institutional authorities often refer to a state of affairs where the best and most effective utilization of public resources for the good of the governed becomes overriding. However, the judgmental evaluation depends on parameters not always described, designed and imposed by an agency or agencies. It rests on rational evaluation depending on socio economic perspective of the countries where resources are used and the process through which the institutions are framed and function. The meaning of the term has gone far beyond management and administration and assumed multi faceted character over time. From this hindsight the definitions of the concept need to be revisited, particularly at a time when good governance has become a serious concern in development discourse second only to poverty reduction (Tanzi, 2006).

Defining governance on a philosophical premise appears to be a complex task. The academic way of looking at it as a concept mainly rests on a positive (what is) plain. While the institutional definitions appear to be

focused on normative (what should be) base, often influenced by guided interests.

Traditionally governance is viewed as a mechanism that focuses on the effectiveness of processes and structures concerning financial and other disciplines in the government. It relates to fostering rules and norms and institution building with power and authority for decision making processes i.e who participates and how (Fitzpatrick, 2000). While emphasizing the question of effectiveness of processes and structures concerning financial aspect of governance, the necessity to align the contributory role of state audit becomes an overriding issue.

Commonly used, the term governance refers to the manner in which a government discharges its responsibilities: by following transparent, accountable and internationally accepted standards. It refers to the effectiveness of processes and structures concerning financial and other discipline in the government. It is said that governance is administrative rule and judicial rulings that constraint, prescribe and enable government activity (Heinric & Lynn, 2000).

A comprehensive definition of governance is given by Hye<sup>13</sup> covering the historical and contemporary bases of the concept. According to him governance is undertaking of activities, management of resources, organization of men and women by groups of people, communities, local government bodies, business organizations and branches of state (Legislature, Judiciary and Government) through social, political and administrative and economic arrangements that meet the daily needs of people and ensure sustainable development. Governance is therefore, getting things done for greater public service through amending systems, adjusting to the demand of social need, a conscious attempt to see that nothing goes wrong in a limited resource economy. Here comes the justification of the existence of Supreme Audit Institution. For tackling of social and economic issues; governance identifies power dependence involved in the relationships between institutions involved in collective action (Stoker, 1998). Therefore, the degree of relationship among the Principal Accounting offices, the SAIs and the Parliamentary oversight committees, when measured, indicate the status of governance.

Good governance means proactive existence of some recognizable features that qualifies the governance process. It is the competent management of

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<sup>13</sup> Hasnat Abdul Hye in Governance South Asia Perspectives published by The University Press Limited, 2000

resources and affairs in a way that is open, transparent, accountable and responsive to the people's need<sup>14</sup> By governance Guttal (2002) refers it to a comprehensive and transparent system of rules, processes and procedures that ensure the protection of people's right to information and decision making and accountability and responsibility. It requires examination of the normative (what ought to be) and of the positive (what is) and of the distance between them.<sup>15</sup>

The institutional definitions are tenable at this stage. Governance is a complex system of interactions among structures, traditions, functions (responsibilities), and process (practices) characterized by three key values of accountability, transparency, and participation (USAID, 2002).

Broadly identified, good governance has also been described as the striving for rule of law, transparency, responsiveness, participation, equity, effectiveness and efficiency, accountability, and strategic vision in the exercise of political, economic, and administrative authority (UNDP, 2002). Governance is the process of decision making and the process by which decisions are implemented (UN ESCAP.2003).

Some institutional definitions of governance are tenable at this stage.

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<sup>14</sup> Crime and misconduct commission, Queensland, 2002.

<sup>15</sup> Quoted from a speech by Dr. Peter Shergold, secretary of the Department of prime Minister and Cabinet in a seminar on 'Foundations of Governance in the Australian Public Service' cited by Barrett Pat (2006)

ADB's Key Elements of Good Governance: Asian Development Bank (ADB) has identified four basic elements of good governance and gave explanation,<sup>16</sup> which are: Accountability, Participation, Predictability, and Transparency.

**Accountability:** By accountability it means accountability of government servants in the management of resources. It is also a yardstick to measure performance of the civil servants.

**Participation:** Participation mainly emphasizes citizen's involvement in the development process and their access to organizations those work for that.

**Predictability:** Predictability refers to the existing rules of law for economic development and future investment.

**Transparency:** Transparency means availability and clarity of information about government rules, regulation and decisions and easy access to the sources of information.

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<sup>16</sup> Asian Development Bank. (2003). *Bangladesh Country Governance Assessment, Draft for Review*. Dhaka, Bangladesh: Asian Development Bank. p.2.

**Institute on Governance** identifies five principles of good governance on the basis of the UNDP principles and related UNDP text,<sup>17</sup> which are as follows: Legitimacy and Voice, Direction, Performance, Accountability, Fairness.

**Legitimacy and Voice:** By legitimacy and voice it means establishment of a system where every men and women will have a voice in decision making process and influence policy and programs for development.

**Direction:** It refers to a situation where political leadership creates an environment which helps local and foreign investors go for further investment in economic and other development.

**Performance:** It encourages institutional development for utilization of public resources economically, efficiently and effectively for the benefit of the people and to achieve desired goals.

**Accountability:** it means for good governance public and private sectors should be made accountable for their performance to the people and stakeholders they serve.

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<sup>17</sup> Institute On Governance. (2003). *Principles for Good Governance in the 21<sup>st</sup> Century. Policy Brief No.15*-Institute On Governance, Ottawa: Canada. P.3.

**Fairness:** Human rights should be enforced fairly and without gender discrimination to improve individual lifestyle.

**UNDP** identifies nine characteristics of good governance and gave explanation,<sup>18</sup> which are as follows: Participation, Rule of law, Transparency, Responsiveness, Consensus orientation, Equity, Effectiveness and Efficiency, Accountability, Strategic vision,

**Participation:** It refers to a situation where men and women will make their voice heard.

**Rule of Law:** It means impartial imposition of legal framework without discrimination for good governance.

**Transparency:** A situation where institutions provide adequate information to the stakeholders to influence their future decisions.

**Responsiveness:** A situation where rationale time frame becomes predominant to cater to the demand of stakeholders.

**Consensus oriented:** With a consensus acceptance of the goals by the various interest groups in society good governance can be established.

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<sup>18</sup> United Nations Development Programme. (1997). *Governance for sustainable human development. A UNDP policy document*. Retrieved December 13, 2006, from <http://magnet.undp.org/policy/default.htm>.



**Equity:** It refers to a situation where men and women have equal opportunity with equal importance in decision making for the betterment of the organization they serve.

**Effectiveness and efficiency:** Efficient, economic and effective utilization of resources for sustainable development and protection of environment ensures good governance

**Accountability:** It means decision-makers should be made accountable to the citizen and institutional stakeholders for whom they serve.

**Strategic vision:** A sustainable economic growth and human resource development all those who make policies, implement policies and citizen at large should possess a strategic vision to reach the targeted goals.

To World Bank, 'Good governance is epitomized by predictable, open and enlightened policy-making, a bureaucracy imbued with professional ethos acting in furtherance of the public good, the rule of law, transparency processes and a strong civil society participating in public affairs.' It is recognized that accountability of those engaged in running the affairs of the state at political as well as bureaucratic levels is the fundamental pre condition for healthy and sustained economic welfare, (Muhit, 2001).

The characteristics of good governance identified by institutions and scholars mostly are the same. One prominently conspicuous is the question of accountability. However the model developed by UNESCAP has by far captured all the common aspects of good governance. These are participation of the governed, presence of rule of law, transparency of information, responsiveness towards policy undertaken, effectiveness and efficiency in the conduct of business, establishment of gender equity and inclusiveness, and a common consensus oriented accountability framework.

Characteristics of Good Governance as reflected in UNESCAP<sup>19</sup> model

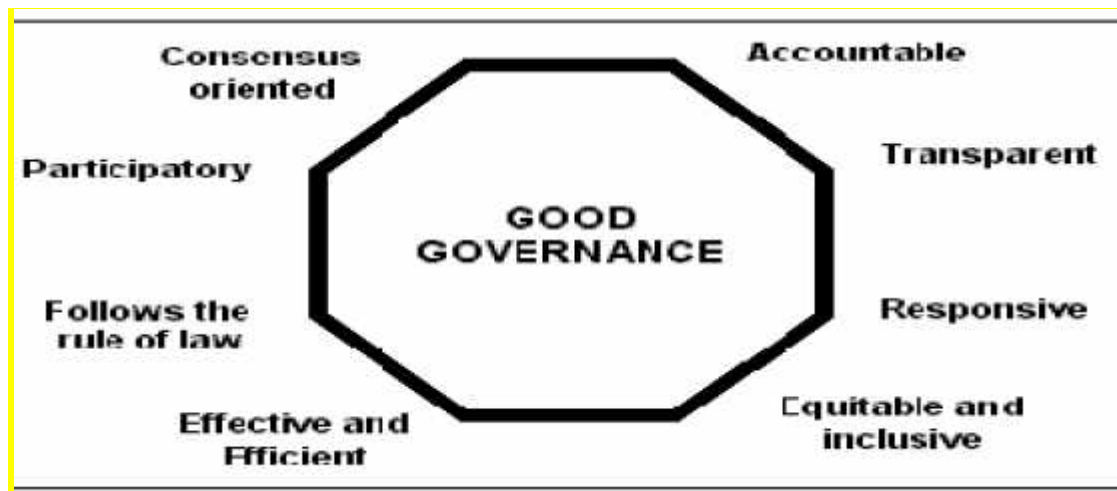


Figure 3.1

## Participation

<sup>19</sup> Sheng. Yap Kioe, UNESCAP, Bangkok 10200, Thailand

It refers to a situation when men and women participate in the decision making process either direct or through legitimate intermediate institutions or representatives in an informed and organized way.

### **Rule of Law**

**Good** governance requires impartial and fair legal frameworks where human rights are protected particularly those of minorities

### **Transparency**

Transparency means that decisions taken and their enforcements are done in a manner that follows rules and regulations within enough flow of information in easily understandable forms and manner

### **Responsiveness**

Good governance would require institutions and process serve all stakeholders within a reasonable timeframe

### **Consensus orientation**

Good governance requires mediation of the different interests in society to reach a broad consensus in the best interest in the whole community and how this can be achieved in the historical, cultural and social context of a given society or community.

### **Equity and inclusiveness**

It requires inclusion of all members of the society in the development process; particularly the most vulnerable should have opportunities to improve or maintain their wellbeing

### **Effectiveness and efficiency**

Good governance means that the processes and institutions should produce results that meet the needs of society while efficiently making the best use of natural resources at their disposal and protect environment.

### **Accountability**

Accountability means making government, private sector and civil society organizations accountable to the public and institutional stakeholders and those who will be affected by their decisions and actions.

The key features of good governance envisaged from those given by the international agencies/institutions relates to some common features. Irrespective of gender discrimination there should be impartial imposition of rule of law, participation of man and women in decision making, free flow of information all featuring an accountable administrative governance. These definitions however carry a common thread. Consideration to secure or encourage investment through an accountability framework becomes the overriding objective. This is broadly a macro level structure focused

approach to good governance. State audit, the interweaving component, is largely missing.

A close interpretation and observation of definitions and models of governance reveal that state audit circumvent the entire gamut of governance save it is scarcely highlighted. Though all elements of governance are intertwined, minus audit their meaningful contribution cannot be evaluated, ascertained and affected. Besides, from the analysis of these definitions and their interpretation basically the way how state audit affects features of governance cannot be ascertained. Equally, no such attempt is seen to have taken place to identify which elements of state audit would influence which elements of good governance. But there are definitely certain elements in state audit whose proactive presence influences elements of governance to characterize later as good. Thus investigating this connectivity between state audit and good governance can become a subject of enquiry based on which this research is conducted.

In the contemporary literature of state audit and governance there are examples of more institutional examples than individual studies severely on each topic than on setting connectivity between the two. The major contributor in this line are International Organisation of Supreme Audit Intuitions (INTOSAI), the apex body of all the SAIs and Canadian

Comprehensive Auditing Foundation (CCAF), a research and training provider authority. The research papers mostly concentrate on investigating audit quality under accountability framework and their improvement. Examples are more on identifying efficacy of value for money audit practice, popularly known as performance audit, introduced in the late 1980s. One such remarkable attempt has been made to ascertain and analyze the impact of performance audit collectively in certain Eastern European Countries and in Romania.

A study report prepared by SAI New Zealand in May 1996 also echoed the sentiment that state audit can play an active role by promoting improvements and reporting on the quality of public accountability. These study reports both at institutional and individual level were focused on accountability, mainly one aspect of financial management and not all the pertinent parameters of governance. Those study reports highlighted the quality of audit to enable the governments work economically, effectively, efficiently and ethically all featuring performance audit system.

A conference paper prepared by UNDP (November, 2006) identified that agencies responsible for ensuring governance need to be independent, having comprehensive legal framework with strong political backing and adequate financial, human and technical resources, adequate powers of

investigation, a coherent and holistic strategy and support of the society at large.

Conversely in the private sector the Audit section Research Committee of the American Accounting Association (AAA) in a list of thirty three years of audit research, mentioned the names of some articles published in contemporary journals like Contemporary Accounting Research; Auditing: A Journal of Practice and Theory; Accounting, Organizations and Society; Journal of Accounting Research etc.

As a part of academic pursuit a good number of studies on the status of audit in Supreme Audit Institution of Bangladesh were carried out by the officials of C&AG. Areas like ‘managerial competence’,(Tousif,2002), ‘reporting results’ (Ghosh, 2001) ‘performance auditing strategy, (Roy,2005) of C&AG office were covered in these studies under the guidance of Faculty of Social science in the University of Ulster. Major concentration of these study reports was to highlight the technical limitations of the practice of state audit in Bangladesh.

In one of its studies the World Bank (1996) pointed out that the SAI Bangladesh lack managerial competence to a great extent in discharging the constitutional responsibility. It is to be noted here that this state of incompetence still persists though attempts are under way to get an Audit

Act passed. In recent years a study was conducted by UNDP focusing the state of democracy in Bangladesh. The purpose of the study was to evaluate the present stage of democratic governance and find out problems that are impairing the country's progress both politically and economically. One of the components of the study was the evaluation of the role of the office of the Comptroller and Auditor General in enabling the democratic governance. Likewise major contents of a report submitted by a select committee visiting British Government in November 1994 also identified short coming of C&AG Bangladesh.

As the focus of governance permeates meaningful utilization of information, greater participation of the citizen in the decision making, powerful execution of audit suggestion in policy making and assessment of effective performance in providing better public service, study of state audit deserve a serious consideration.

In view of the dynamic status of these concepts of state audit and governance, a base for interdependence can be built. A study of the requirement of public demand for better life obviously drives for identifying what causes non achievement of expected demands of the public State Audit



is the mechanism to do the task. Based on these precepts a theoretical framework is developed.

## **Chapter 4**

### **Theoretical and Conceptual Framework**

On examination of the academic and structural formats of good governance propagated by the interested quarters, it is clear that to draw a the thin line of connectivity between state audit and good governance requires an enquiry into some detailed aspects of state audit as well as governance. To be more precise, which parameters of state audit influence which parameters of governance to characterize that in the affirmative and build a stronger connectivity, is something that is studied in this research. Based on this hindsight a state audit and good governance model developed in the context of SAI Bangladesh is explained in this chapter.

To clarify, the issue of governance is often viewed as a way of decision making and control. From an accountant's perspective it denotes an efficient way of information processing starting from identifying actions and events through to the construction of final accounts. Whereas from an auditor's point of view good governance is viewed as indicative of efficient utilization of resources towards achievement of certain pre defined goals and objectives.

As good governance means presence of some positive factors, a better management of state audit can lead to a better result of governance to effect qualitative improvement in the way how public service is rendered. When audit is viewed as something that scrutinizes books and accounts and comments only on the wrong doings, any attempt to redefine it would require major shift in understanding the objective of audit itself. Merely certifying the financial statements with no comment on how effectively the control and command on financial discipline is established makes the impact of audit incomplete.

Unless state audit plays a complementary role through furnishing appropriate information for effective decision making it cannot be termed as complete audit. Lack of sense of complete audit, therefore, results in weak governance. To recapitulate, international institutions like ADB, World Bank, UNDP have characterized governance with some common attributes like presence of rule of law, transparency, responsiveness, participation and accountability and so on. The most comprehensive definition is given by UNESCEP which covers participation of the governed, presence of rule of law, transparency of information, responsiveness towards policy undertaken, presence of an accountability framework, effectiveness and efficiency in the conduct of business, establishment of gender equity and inclusiveness

In depth analysis of governance aspects of a system characterized by paucity of resources requires, inter alia, objective rationalization of control systems that are in place for promoting functional transparency and effective accountability. State audit as a control mechanism has received wide spread recognition globally for ensuring greater accountability leading to improved governance system. In the context of Bangladesh, the role of State audit vis-a vis good governance has received scant attention in academic and institutional contributions.

A marked feature or point of distinction of state audit is its socio- economic priority compared to the purely financial one exhibited by traditional audit. Consequently, the genesis of State audit has reflected the pre eminence of environmental expectations as part of its successful evolution. To address the contextual significance of identifying the causal effect of state audit on governance, a reasonably assured confirmation from the stakeholder's perspective in terms of acceptability, applicability and effectiveness of audit findings is the need of the hour. To this end, a systematic structure or a conceptual model may provide a framework for building up greater level of awareness about the roles and responsibilities of state audit in attaining national goals and set an accountability order for good governance in motion.

Based on these precepts a model developed is shown below which is the pivotal part of this thesis.

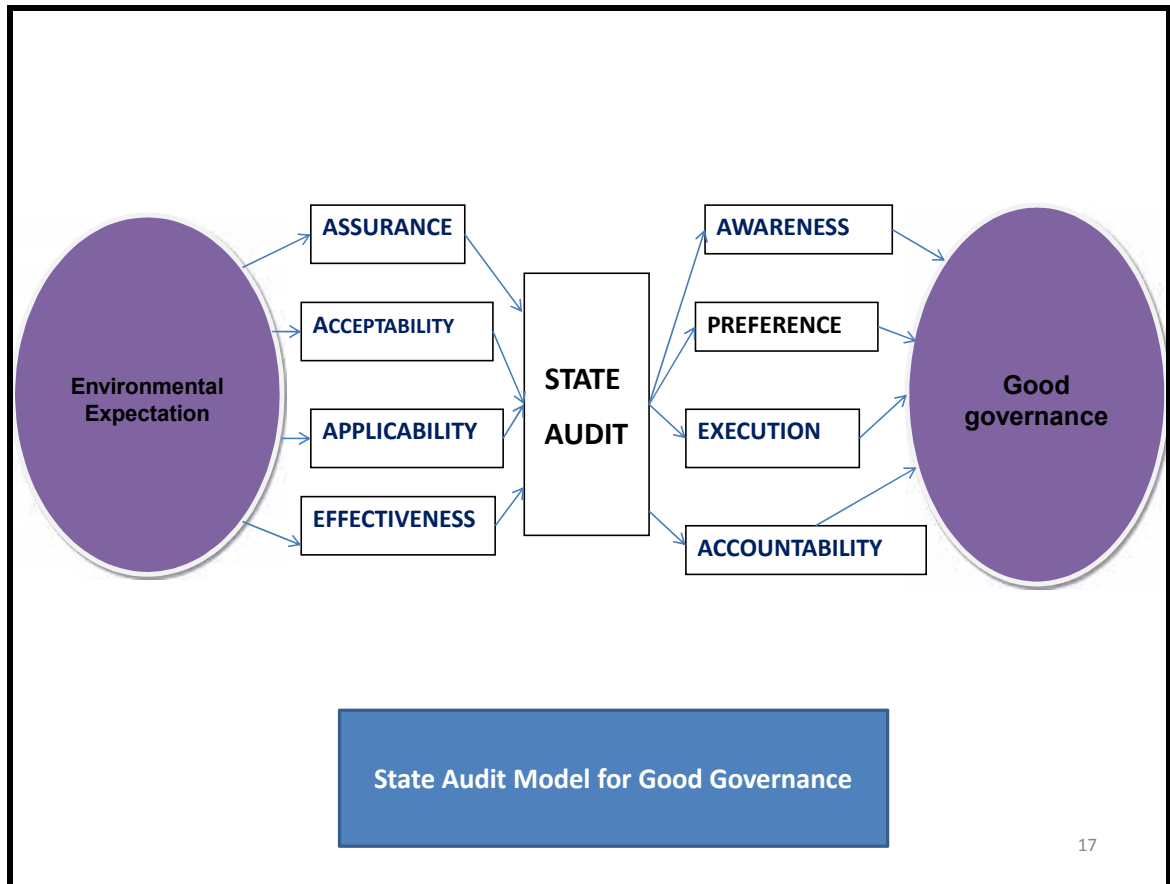


Figure 3.2

### **Environmental Expectation**

Environmental Expectation mean the desire of the stakeholders' i.e both auditee and auditor to making an 'audit society' (Smith in Talib & Mostafa, 2000). It denotes making the presence of audit felt in every aspect of societal development. It also means forming a checklist to find out the expectation

for audit, to audit from planning to finalization of reports and their follow up. The level of expectation changes over time. Social, economic and political set up shapes this environment.

There was a period when merely looking at the financial accuracy of figures and their appropriate posting in the accounts, was the desire of the auditee with less concern to find out the reason behind preparing the same. But now justification based action and their evaluation by audit has become an imperative parameter for decision makers. An affirmative presence of audit in scrutinizing government affairs is sharply felt. Where are the auditors when buildings collapse, roads get water logged, drinking water gets contaminated, bridges collapse or big scams unveil? These are common questions those have linkage with governance process. The stakeholders – the parliamentarians, the policy makers, executives, the spenders, the users of audit reports including donor agencies want to rely on the C&AG findings and suggestions for future improvements. But in the end question remains whether state audit in practice can play that contributory role.

Ascertaining expectation gap at this level is important. Historically this term though developed by Liggio (1974) for private sector accountant the concept has become pertinent for public sector auditors lately. Prevalent environment require looking at the expectation gap from auditor and auditee's point of

view. Environmental expectation and their gap is influenced by a number of factors like ‘dependence on management’ (Humphrey et al, 1992), ‘ignorance gap’ Sherer and Turley,(1991). According to Chowdhury (1996) ‘it becomes an ethical obligation on the part of the auditors to ensure the fairness, relevance, and reliability of the reported information in terms of its representativeness of the existing economic phenomenon’.

**Assurance** in an audit is to make sure that the person doing the work is doing the best possible work and bringing forth the results the entity is looking for. In the public sector this is the information of the performance of the entity (CPA Australia, 2014) derived through auditing economy, efficiency and effectiveness audit commonly known as performance audit. It is a positive declaration given by the auditor in certifying the accounts, or performance intended to give confidence to the users of audit reports. Though the concept of assurance has been gaining importance in the private sector particularly after the big international scams, its necessity is now widely felt in the public sector too. The international standards of Supreme Audit Institutions or ISSAIs are issued by INTOSAI require SAIs to provide assurance to the intended users about the reliability and relevance of the information which they use as the basis for taking decisions. Audits therefore provide information based on sufficient and appropriate evidence,

and auditors should perform procedures to reduce or manage the risk of reaching inappropriate conclusions.

Likewise assurance has been defined by the American Institute of Certified Public Accountants (AICPA) as “independent professional services that improve information quality or its content.” State audit is responsible to provide assurance that the appropriation and finance accounts fairly reflect the state of accounts of the Republic and asset and liability position. When Auditor General conducts an audit the report of which is meaningful and suggestive, the policy makers can remain assured that the audit is conducive to policy making.

Assurance in the context of state audit means that financial statements certified by the Auditor General truly reflect the information that standards of disclosure demand. It denotes that volumes of objections raised and placed before the Public Accounts Committee for discussion are supported by reliable evidence to make them credible. It also means assuring that observations of audit are based on a set of yardsticks which evaluates performance of the organization it audits. It expresses authenticity of financial statement, explanatory notes on government income and expenditure statements, appropriation and finance accounts for effective



policy making for resource utilization; expression of reliable facts and figures for PAC discussion; indicative reference to objective achievement of performance.

**Acceptability:** The enquiry into developing the humane trait of audit is an attempt to put audit beyond its general perspective of fault finding only. Delving into imposing humane trait requires placing the task of audit to a deeper level of acceptability; a major shift in relationship between the scrutinizer and scrutinized. Merely certifying the financial statements with no comment on how effectively the control and command on financial discipline is established makes the impact of audit incomplete. State audit needs to be viewed as having a complementary role maintaining an independent status. Unless state audit plays a complementary role through furnishing appropriate information for effective decision making it cannot be termed as complete audit. Again by complete audit we refer to a status of good governance when the output justifies the outcome, auditee's action justifies auditors finding.

The normal feature of audit does require a confirmation from the auditee about the acceptability of its finding. Merely finding that funds have been overspent and rules have been violated requires auditee's acceptability. But

the extent of this violation and their repetition reported by auditee requires a judgmental approach for the auditee to base their acceptability. At this point audit as we practice cannot play the catalyst role if not strengthened with sufficient logic in its conclusion.

Audit should provide acceptable reports based on substantial proof. The term acceptability is dependent on certain parameters like whether the statements are based on normative standards or whether these are based on national and international public audit practices. The audit reports when prepared after a qualitative persuasion can become forceful and meaningful. By qualitative persuasion it denotes effective management of the entire audit process under review. Acceptability as such means that current audit practices are based on sound audit principles and professional standards. It may mean a massive change in audit approach from traditional to value for money practice.

Acceptability is satisfaction achieved by virtue of conforming to approved standards. In the context of state audit the techniques applied in the conduct of audit and the reports prepared requires to be based on acceptable standards set by the appropriate authority. In case of public sector audit it is

the International Organisation of Supreme Audit Institutions that sets the acceptable standards.

Acceptability refers to a state which explains whether the reports of the C&AG could be classified as unqualified reflecting objective view on the achievements and non achievements of national goals and aspiration. Acceptability can be tested while judging whether audit reports are based on substantive proof. These are particularly true with growing demand for customer lead personalized model of public service. The public sector suffers from poor quality management information. Evidence based decision making becomes difficult with unreliable and late data focused in inputs rather than the outcome or impact. A proactive approach of audit with acceptable facts and figures with questions reasonably framed on authenticity can help strengthen state audit. That needs modernization of audit methodologies, greater interaction with media, civil society and academics.

Acceptability refers to changes in approach through modernization resulting in transparent reporting; a linkage with achievement of national goals and objectives; substantial and dependable contents to establish accountability. The question "...how to really highlight the key matters without

overburdening the report with detail or boilerplate language” (Almond, 2013) when addressed properly testifies applicability of state audit for governance.

**Applicability:** It is the fact or state of being pertinent. Roget’s Thesaurus defines it as the fact of being related to the matter at hand. Applicability is related to the role of state audit shifting away from the traditional to customer led public service. As environmental, forensic and social audits are increasingly becoming prominent applicable qualities for the auditors are also becoming relevant to the subjects. It means providing performance measuring information having regard to virtuous circle of transparency demand that information should possess quality characteristics. It is about the environment in which audit works. If audit is conducted based on insufficient evidence the resultant outcome will be provision of inadequate information for the decision maker. The reason for not getting insufficient evidence can be attributed to the audit techniques relating to collection of information. This entails assessment of the skill of those who do the job.

The current status of the Office of the Comptroller and Auditor General (CAG) staff bear testimony to the fact that the auditors are neither adequately trained nor they possess the latest knowledge and technology to

cater to the popular demand for contributory role of state audit. When governance is equated with audit, the necessity to address the issue of state auditors' competence becomes overriding.

To make substantial contribution the action of C&AG needs to be skill-based. When a reliable dispassionate independent environment prevails the C&AG can contribute to the governance process through effective audit. Applicability in turn means action based required skills of auditors; providing needed information for policy decision making; establishing a trustworthy environment for implementation of national goals.

**Effectiveness:** Effectiveness is the capability of producing a desired result. When something is deemed to be effective, it means it has an intended or expected outcome or produces a deep and distinct impression. Efficiency, efficacy and affectivity are terms that can in some cases be interchangeable with the term effectiveness.

When the reports become useful in the decision making they become effective. To a large extent follow up of decision made by PAC can result in improving the next course of action. Effectiveness of audit is manifested consequently with responsibility assigned, objectivity analyzed and achievement quantified.

When state audit is conducted with meticulous precision and the decisions taken at the parliament are followed up in further audit that will create a sense of accountability leading to assignment of responsibility for misconduct or wrong doing. Audit will become effective and for governance process substantial improvement would be visible. This can reduce the gap between extant level and desired level of governance.

**Awareness:** Dictionary meaning of the term refers to a state of alertness signifying presence or absence of some desired criteria. Awareness is the state or ability to perceive, to feel, or to be conscious of events and objects. Broadly, it is the state or quality of being aware of something.

In general, "awareness" may also refer to public or common knowledge or understanding about a social, scientific, or political and economic issue. "Internationally, there is an agreement that quality audit process raises awareness on the related issues and increase accountability (Dill, 2000).

Awareness is expanding horizon of consciousness. It is an approach to render service for the people, by the people and of the people adhering to democratic norms. When audit becomes suggestive and identifies mistake not to be perpetuated, an ethical sense of rationality will prevail. Awareness is developing a consciousness for measuring the sustainability or the

achievement of a programme or project indicated by audit through its finding. As effective state audit means a greater consciousness in governance process; an insight to look governance beyond control and administration, awareness will be developed to attend to audit as any failure will mean loss of sustainability to what is achieved. Awareness means governance consciousness; propagating progressive action of audit; sustainability of achievement. Awareness will help in fixing priority of resource utilization, to find out what get priority -a barrel or a book?

**Preference:** Preferences could be conceived of as an individual's attitude towards a set of objects, typically reflected in an explicit decision-making process (Lichtenstein & Slovic, 2006). Alternatively, one could interpret the term "preference" to mean evaluative judgment in the sense of liking or disliking an object (Scherer, 2005). Preference refers to the set of assumptions related to ordering some alternatives, based on the degree of utility they provide, a process which results in an optimal choice; it is the basis of empirical demand analysis.

Audit findings help in sorting the needs those require immediate attention to amend or retain. Considering the size of the budget and expectations in the public sector, fixation of priorities and preferential status in terms of

achievable goals are becoming increasingly prominent. Concept of preference, therefore, is a pertinent consideration for good governance. Audit can help selecting alternatives and thereby focusing immediate attention to either amend or retain people oriented goals and objectives. Audit can help through its reports setting the preference for ‘austerity, avoidance of waste and better husbanding of resources’ (Amin, 2005).

Preference is a selection from a set of alternatives best one or ones most suitable for the fulfillment of the desired set objective or expected goals. Preference to pursue a path of democracy and alignment with ethical standards will lead the decision makers to best utilize the resource which are limited. A conscious step for risk management in governance will come to the fore and enable setting priority in the development checklist.

**Execution:** Execution is about how something is done. It is the way an action comes to reality. It means the act of executing something. The American Heritage Dictionary of the English Language defines execution as the manner, style, or result of performance; validation of a legal document by the performance of all necessary formalities, the style or manner in which something is accomplished or the act of performing; of doing something successfully.



As good governance ends in better results, the way a task is done or level of quality it attained becomes a parameter for judging the efficiency level. Millions of dollars spent and wasted ( when found by audit with reliable comments) gives the clue to decide preferred priority. Execution refers to the quality of performance of the plans and programmes of different sectors of the government having relationship with the purpose and objective. Audit can make the impact if the rules and regulations are not followed, criteria are not set and objectives are not met. Execution relates to following the rule of law for implementation of national plans, and developing a balanced score card.

**Accountability:** From Athenian historical city (Talib and Iqbal, 2000) to current day global state, accountability stands as the most pertinent parameter to denote governance process. Accountability is a sense of responsibility (Gray and Jenkins,1985; Thynne and Goldring, 1981, Hart, 1968). It is “an obligation to answer for a responsibility conferred”(Shefer,1999). At each stage state audit remained as an unavoidable factor. The simple definition given by Durnil (1992) is tenable at this point. Accountability is the duty of anyone who handles money or goods to publicly respond to others for the manner in which the duties have been performed. “Question of lack of accountability arise because of

irresponsible attitude on the part of those handling public money especially among the civil servants” (PAC, UK, 1994).

The institutional definitions of accountability as a parameter for good governance also deserve avid attention. UNDP identifies accountability as something necessary for the betterment of society and institutions. It emphasizes that decision makers must be accountable to the citizen and to their respective institutional stakeholders. It also means making a mechanism through which public officials are held for their actions (The World Bank, 1992). This statement has been very candidly supported by Will (2004) “--- as though their jobs depended on it”

UK’s Overseas Development Administration emphasized accountability of both the political and official elements of government for actions, transparency of decision making and the existence of mechanisms to call individuals and institutions to account. Echoing these sentiment Geist (1981) commented, ‘It is difficult to imagine a well functioning satisfactorily system of state administration without the type of rigorous public accountability that state audit ensures’. OCAG Canada specifies accountability as a “relationship based on obligation to demonstrate, review

and take responsibility for performance, both results achieved in light with agreed expectation and means as used.”

From the stand point of state audit this can be ensured with twofold approach: one, ascertaining accountability of those who make decision and implement decision (commonly known as legislature and Executives); two, accountability of those who are conducting the audit. When the information provided in the reports are based on substantial evidence, accountability of those who formed the policies and those who implemented state policies can be assigned with responsibility. Appropriate accountability fixation may help in turn deciding policy priority of resource allocation. However, the information needed to ascertain accountability depends on the test how the data are validated and assured of their reliability. The responsibility of this initial test falls on independent state audit.

At this point in time accountability of those doing audit also comes to the forefront. Whether auditors possess the required skill to do their task, whether process of audit followed is suitable to draw relevant and reliable information, whether the independence of Auditor General is sufficient to allow him forming focused views are a few questions amongst others help determining accountability of the state auditors. When these are answered

the connectivity between state audit as an aid to good governance can be established.

Accountability is sometimes viewed as the most important constituent of governance process. In simple term it means responsibility assignment for a task executed. That task might have been either randomly or selectively chosen. In the context of state audit this attribute of governance should be viewed from both auditor and auditee's perspective. The auditee utilises this information extracted and reported by audit in setting the right and appropriate pro- people goals and apportionment of fund determining the "electorability" which has gained acceptance in governance literature. On the other hand the auditor drawing the authority from the Constitution becomes responsible for providing the right information with appropriate suggestive conclusion; the reason for which it is sometimes referred as an intellectual pursuit. Considering these aspects, 'the CAG auditor therefore need to be aware of the responsibilities of management on the one hand and the information requirements of the interested group on the other for effective discharge of the accountability to the legislature' (Chowdhury, 2005 ).

A policy note identifies four different areas where the office of the C&AG Bangladesh requires positive attention to make its role useful in the

management of public resources, like, Independence, Accountability, Efficiency and Effectiveness (IGS,2009). By independence it meant that OCAG<sup>20</sup> and its individual auditors should remain free from any kind of pressure or influence from the executive, audited entity and outside interest groups in all matters relating to its auditing function.

It is generally held that office of the C&AG should be accountable for its actions and obligations by external and internal means. External accountability is to the Parliament, taxpayers and citizens at large and internal accountability may require the strict enforcement of its own code of conduct, supervision and other techniques of internal control. Efficiency refers to the C&AG's human resources, structures and management competence for conducting audit related activities in a cost effective manner. By effectiveness it means the C&AG should meet its mandate and mission by producing standard and timely audit reports and facilitating appropriate actions being taken on audit findings and recommendations.

This report has increased relevance in developing the concept of state audit-good governance interface. In addition, studies on state audit effectiveness

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<sup>20</sup> OCAG refers to the Office of the Auditor General of Bangladesh

carried out for the purpose of ascertaining expectation gap are also considered in building the model.

Kingston Cotton Mill- A landmark British common law case of 1896 had a judicial description of external auditors as “watchdogs” rather than “bloodhounds” and established the principle that auditors’ duties involve the exercising of reasonable professional care. The verdict stated, ‘What is reasonable skill, care and caution must depend on the particular circumstances of each case. An auditor is not bound to be a detective.’

The case determined that it was reasonable for the external auditor of the Kingston Cotton Mill to rely on a management representation of inventory balances, and the auditor was not held to be liable for failing to detect a fraud. The legal framework of external auditing has changed significantly since the *Kingston Cotton Mill* case, but its judicial reasoning can be interpreted as an early articulation of the existence of the expectations gap.<sup>21</sup>

Expectation gap, a term developed by Liggio (1974), was defined as ‘the difference between the levels of expected performance as envisioned both by the independent accountant and by the users of financial authority’. The term

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<sup>21</sup> Auditor’s dictionary-Terms,Concepts,Processes and Regulations by David Do’ Regan (2004), John Wiley & Sons Inc, USA

is further elucidated by Ojo (2006) as ‘the difference between what users of financial statements, the general public perceive an audit to be and what the audit profession claim is expected of them in conducting an audit’. Limperg (1932 cited in Porter *et al* 2005 ) points out that the “audit function is rooted in the confidence that society places in the effectiveness of the audit and in the opinion of the accountant if the confidence is betrayed, the function, too, is destroyed, since it becomes useless”.<sup>22</sup> However there are different dimensions to measure to what extent an auditor can fill up the gap and how much an audit beneficiary expect of them. Therefore, there is a need to study expectation gap in a more extensive way which allows the different components of the audit expectation gap to be identified (Porter, 1993).

There are not too many researches on expectation gap, particularly in case of state audit. However the substantial research findings on the audit expectation gap (for example, Chowdhury *et al* 2005; Epstein & Geiger 1994; Gloeck & De Jager 1993; Humphrey *et al* 1993; Leung & Chau 2001; Lin & Chin 2004; Dixon *et al* 2006) are influenced and possibly distorted by

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<sup>22</sup> Cited in The audit expectation Gap : an empirical study in Malaysia by Lee T.H , Gloeck,J,D and Palaniappan, A.K in The Southern African Journal of Accountability and Auditing Research,2007, Vol 7

economic, social or legal factors unique to those countries in which the studies took place.<sup>23</sup>

Based on the reflection of studies on theoretical diversity of expectation and also technical limitations of current state audit practices, a model is developed identifying different features of state audit and good governance to make state audit complementary and complete. By complete audit reference is made to a state of audit where operational context justifies results.

In such a situation audit will provide acceptable and applicable practice and standard to assure effective information. This in turn will help develop an awareness to formulate appropriate policies for execution of government programmes with a sense of accountability collectively forming the base for good governance.

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<sup>23</sup> The audit expectation gap : an empirical study in Malaysia by Lee TH,Glance JD, Paloniappan AK in South African Journal of Accountability and Auditing Research Vol 9 : 2007



## Chapter 5

### Public sector and public sector auditing practice

This chapter focuses on the relationship between public sector and government auditing, here termed as public sector audit practice. In addition to describing the component of public sector to understand their implication in government spending and receipts, the operational and structural arrangement of C&AG Bangladesh is described. This is done to give a view about the legacy of state audit carried out with limited resources by the Supreme Audit Institution.

**5.1 Public Sector:** On public sector ‘no definition seems to be comprehensive or complete. It fluctuates according to political fashion and historical accidents’, Jones (1990). The public sector basically denotes that part of the economy other than private sector that provides government goods and services. It is that part of the state that deals with the production, delivery and allocation of goods and services by and for the government or its citizens, whether it’s national, regional or local. The most relevant criteria in determining a public sector rest with the legislative requirement for the organization to be audited by the Office of the Auditor General.

Institute of Internal Auditors (IIA) has developed a guideline to identify public sector. According to IIA (2011) in general terms, the public sector

consists of governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver public programs, goods, or services.

For the purposes of the guidance, the public sector consists of an expanding ring of organizations, with core government at the center, followed by agencies and public enterprises. Around this ring is a gray zone consisting of publicly funded contractors and publicly owned businesses, which may be, but for the most part are not, part of the public sector (IIA 2011).

Generally public sector involves four categories of organizations. These are : core government organizations, agencies, public enterprises and state businesses. Core government consists of a governing body with a defined territorial authority.

**Core governments** include all departments, ministries, or branches of the government that are integral parts of the structure, and are accountable to and report directly to the central authority — the legislature, council, cabinet, or executive head.

**Agencies** consist of public organizations that are clearly a part of the government and deliver public programs, goods, or services, but that exist as separate organizations in their own right — possibly as legal entities — and operate with a partial degree of operational independence. They often, but

not necessarily, are headed by a board of directors, commission, or other appointed body.

**Public enterprises** are agencies that deliver public programs, goods, or services, but operate independently of government and often have their own sources of revenue in addition to direct public funding. They also may compete in private markets and may make profits. However, in most cases the government is the major shareholder, and these enterprises partly follow the acts and regulations that govern the core government.

Outside this clear public sector area is a gray zone, or boundary zone, with two types of organizations that might or might not be part of the public sector.

**State businesses** are government owned and controlled businesses that sell goods or services for profit in the private market. Although they do not deliver what would be considered public programs, goods, or services, they might be considered part of the public sector.

Public contractors are legally independent entities outside government that receive public funding — under contract or agreement — to deliver public programs, goods, or services as their primary business. Due primarily to their limited public control, these organizations usually would be classified as not for-profit or private sector entities.

Chartered Institute of Finance and Public Administration (CIFPA) has identified public sector bodies dividing them broadly into central and local government, public utilities accountable to parliament, other public bodies funded mainly from taxation, bodies largely regulated, owned or controlled by central or local government (Jones, 1981). Public sector as such includes government, semi government, autonomous bodies, sector corporations, authorities, government companies, projects and any undertaking where government investment is involved.

The public sector includes the additional complications of the public interest and the additional responsibilities for good governance placed on public entities in a more demanding policy and political environment. Expectations on the quality of governance in the public sector are higher than in the private sector because of the need to provide stewardship functions for public fund.

**5.2 Public sector audit** can be defined as a framework of arrangements for auditing public service bodies (Lovell, 1996) where public money has been allocated, spent and utilized (Boncondin, 2007). It is the expression of the status of governance: good or bad through providing findings on how and why the public sector expenditure is made.

In the private sector audit acts to provide assurance to the owners of business or enterprises that financial reports properly represent the asset and liability position of the entity audited at a certain period of time.

Public sector external audit has the important function of providing assurance to the ultimate decision makers e.g. Parliament, government and citizens on how tax payer's money has been spent and the assets and liabilities under public control are managed (OCED-DAC,2001) State auditing by providing unbiased, objective assessment of whether public resources are responsibly and effectively managed to achieve intended results, help government organizations achieve accountability and integrity, improve operations and instill confidence among citizens and stakeholders. Good financial management means not only protecting, developing, using resources, and sustaining economic growth but also effective and efficient management of national resources.

The Lima Declaration of Guidelines on Auditing Precepts resolution at the IXth Congress of the International Organisation of Supreme Audit Institutions (INTOSAI), meeting in Lima can be referred to at this point. A comprehensive list of all goals and issues relating to government auditing has been set there. It is resolved that the specific objectives of auditing is to

communication of information to public authorities and general public through publication of reports identifying proper and effective use of public funds, the development of sound financial management and proper execution of administrative activities necessary for the stability and the development of states in keeping with the goals of the United Nations.

The declaration further states that audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent--or at least render more difficult--such breaches.

IFAC defines, 'auditing is a verification or examination of the documents of accountability executed by an auditor with the objective of providing him the ability to express an opinion of those documents in such a way as to provide them with greater credibility' while INTOSAI defines it as 'Auditing is an examination of operations, activities and systems of a

specific entity that are executed or function in conformity with creation objectives, budgets, rules and requirements'<sup>24</sup>

This way of looking at state audit is further focused through the latest UN resolution A/66209 on 22 December 2011 which recognizes the importance of independent Supreme Audit Institutions in promoting the efficiency, accountability, effectiveness, and transparency of public administration. Basically all major types of audit have implications on good governance.

Compliance audit seeks to provide assurance that public funds have been spent in accordance with legitimate requirements. It is an audit of compliance with external regulations or internal control procedures. A compliance audit is not to be confused with compliance testing—the former has as its audit objective the verification of compliance with external or internal requirements, while the latter is an auditing procedure used to gather audit evidence on the reliability of internal controls<sup>25</sup>

**Financial auditing** relates to auditing of financial statements and related information .Financial auditing has been described as “an inferential practice which seeks to draw conclusions from a limited inspection of documents,

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<sup>24</sup> Cited by Maria da Conceicao da Costa Marques in The role of Auditing in the Public Sector

<sup>25</sup> **AUDITOR'S DICTIONARY** Terms, Concepts, Processes, and Regulations by **David O'Regan**, John Wiley & Sons. Inc.(2004)

such as budgets and written representations, in addition to reliance on oral testimony and direct observation” (Power, 2000). The term is often used interchangeably with external auditing<sup>26</sup>. Financial audit provides an assurance through an opinion that financial statements properly present the entity’s position during the accounting period;

**Performance audit:** it is an audit of an activity or operation with reference to adherence to policies, procedures, regulations, and defined objectives. Performance auditing is an aspect of management auditing and operational auditing, and it is often associated with public sector organizations.<sup>27</sup> Ascertaining economy, efficiency and effectiveness of the unit/programme/project/event audited is the objective of performance audit.

**Comprehensive auditing:** It is an alternative term for operational auditing. The term was used widely in the United Kingdom and the British Commonwealth until the 1970s, when it was largely supplanted by the term value-for-money auditing.

The primary purpose of a comprehensive audit is to ascertain the economy, efficiency and effectiveness of an organization's operations and use of resources. Comprehensive audits are also called "value for money" audits

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<sup>26</sup> **AUDITOR’S DICTIONARY** Terms, Concepts, Processes, and Regulations by **David O’Regan**, John Wiley & Sons. Inc.(2004)

<sup>27</sup> **AUDITOR’S DICTIONARY** Terms, Concepts, Processes, and Regulations by **David O’Regan**, John Wiley & Sons. Inc.(2004)



and are designed to be wide ranging and thorough, integrating financial auditing, corporate compliance, operational audit procedures and management reviews.”

The first word, comprehensive, was chosen to convey the idea that the examination includes more than the traditional audit of financial statements and an examination of how closely the organization has complied with pertinent statutory authorities and regulations. A comprehensive audit looks at how the organization has given attention to value-for money—that is, to economy, efficiency and effectiveness. There have been many attempts to define the concepts of economy, efficiency and effectiveness. Over time, the following definitions have come to be generally accepted.

Economy is the obtaining of the appropriate quality and quantity of goods and services at the appropriate times and at the best prices. Efficiency is achieving the best possible productive use of goods, people and money. Effectiveness is the extent to which programs are actually accomplishing what they were intended to do<sup>28</sup>.

As a tool to determine the quality of governance and help it improve the status state audit in any name, becomes a subject of concern for the academics and practitioners when the resource limitation surfaces but

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<sup>28</sup> An introduction to comprehensive audit ,CCAF, 1994

wastage and wastefulness supported by a coterie of interest prevails on the scenario.

### **5.3 Public sector Auditing in Bangladesh**

The fundamentals of public sector financial management principles, procedures and authority are prescribed in the Constitution of The People's Republic of Bangladesh in Chapter 11 titled Legislative and Financial Procedures. Article 81-92 of the Constitution lay down the basic legal framework for government accounting and financial process.

The system of government auditing practiced in Bangladesh and organisational structure of audit department inherits a British colonial legacy and it is more akin to Westminster model. The powers and functions of C&AG are derived mainly from the provisions of section 166-169 of the Government of India Act 1935 with the obligation of keeping the accounts of the Central Government and of the provinces and of auditing those accounts (Hakeem, 2013).

The office of the comptroller and Auditor General was established in May 1973. It derives its authority from article 127-132 of the constitution of the Peoples Republic of Bangladesh and the Comptroller and Auditor General (Additional functions) act 1974 ( as amended in 1975 and 1983).

Articles 127 - 132 of the Constitution of the People's Republic of Bangladesh stipulates, Establishment of office of Auditor General, Functions of Auditor General, Term of office of Auditor General, Acting Auditor General, Form and manner of Keeping public accounts and Reports of Auditor General to be laid before Parliament.

As per article 127 (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 the 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. (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 anybody 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 his functions under clause (1), shall not be subject to the direction or control of any other person or authority.

129. (1) The Auditor-General shall, subject to this article, hold office until he attains the age of sixty years.( However this provision has been changed. The tenure of CAG was extended from 60 to 65 years of age or 5 years in office whichever occurred earlier by Parliament through 14<sup>th</sup> constitutional amendment).

(2) The Auditor-General shall not be removed from his office except in line 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.

130. 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. The public accounts of the Republic shall be submitted to the President, who shall cause them to be laid before Parliament.

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

According to Article 84(1) of the Constitution of the Republic of Bangladesh all revenue receipts , all foreign loans and grants are to be deposited in a fund known as the Consolidated Fund and Article 84(2) provides that all other public moneys received by or on behalf of the government shall be

credited to the Republic's Public Account. Under Para 4 of the Comptroller & Auditor General's Additional Functions Act 1974 C&AG has to prepare each year comprehensive accounts of receipts and expenditure and to submit those to the president for laying before the Parliament. These accounts are designed as Finance Accounts (Summary documents incorporating all government transactions, excluding local government and other para states) and Appropriation Accounts (A large document with separate Account for each vote). The Controller General of Accounts prepare these accounts but certified by the Comptroller & Auditor General.

Additional functions act provides notwithstanding anything contained in any other law for the time being in force or in any other artifices or memorandum of articles of association or in any deed, the Comptroller and Auditor General may audit the accounts of any statutory public authority (public enterprises) or local authority and shall submit his report on such audit to the president for laying it before Parliament.

Conducting effective audit of public sector operations for optimum utilization of public resources providing reliable and objective information in establishing accountability and transparency in government activities for overall welfare of the people is the mission statement of C&AG (Medium Term Budget Framework, 2013-2014 to 2017-2018, Ministry of Finance)

The main functions of office of the C&AG are as follows:

- Preparation of Audit Reports.
- Certification of Finance and Appropriation Accounts.
- Preparation of Appropriation Accounts for Military expenditure and Bangladesh Railway expenditure.

**Audit Reports:** Directors General, working as heads of 10 Audit Directorates are responsible for conducting audit on behalf of the C&AG in their respective jurisdictions. The office of the C&AG prepares

- Annual Audit Report.
- Issue Based Audit Report.
- Special Audit Report
- Performance Audit Report.

**Annual Audit Report:** Annual audit is a combination of financial audit and compliance audit. A financial audit is the examination of the financial statements of the auditable organization, and to express an opinion on whether auditable organizations are accurately presenting the expenditures and revenue in the case of accounts prepared. A compliance audit is an examination of the expenditure and revenue of the auditable organization and to determine whether the audited organization has followed applicable

laws, rules, regulations and procedures to perform their job properly. The purpose of a financial audit is to express an opinion on the financial statements and find out any financial irregularity of public sector entity. It helps to ensure financial accountability and transparency, because financial audit examines budget, accounting rules and regulations. During annual audit, auditors focus on issues like authorized collection of revenue by concerned agencies, whether the spending agencies spend money within the approved budget passed by the parliament following applicable laws, rules and regulations and proper accounts and records

**Special Audit Report:** C &AG conducts special audit on request of the PAC, ministries, and departments or on his own. Special audit is also a combination of financial audit and compliance audit. Examples of such audits are quoted from C&AG's annual reports like: Special audit report on rehabilitation of main line sections( east and West zone) of Bangladesh Railway, special audit report on Biman Bangladesh Airlines, Special audit report on Bangabandhu Sheikh Mujib medical University and Hospital Dhaka (annual Report – 2009)

**Issue Based Audit Report:** Issue based audit is a combination of compliance audit and performance audit. Issue based audit is also conducted on request of PAC or on C&AG's own. Examples may be quoted like: issue



based audit report on Quality Control Activities of Bangladesh standards and Testing Institutions (BSTI), Issue based audit report on Cash incentives programme of 20 branches of 12 commercial banks under the Bangladesh Bank ( Annual Report 2012)

**Performance Audit Report:** Performance audit is an objective and systematic examination of a public sector organization's programme, activity, function or management systems and procedures to provide an assessment of whether the entity, in the pursuit of predetermined goals, has achieved economy, efficiency and effectiveness in the utilization of its resources. Example quoted from annual report is like: Performance Audit report on Bangladesh Forest Management (Annual Report 2013)

Issue based/special audit has some tinge of performance audit. These are carried out virtually on the basis of individual complaints, reports or on letters from citizens asking redress of some problems or on certain issues or events like water logging, unhygienic water supply etc. Examples of C&AG audit on issues based on complaints or events are few and far between.

### **Secretariat of the C&AG**

Three Deputy Auditor Generals, three Additional Deputy Auditor Generals and other Officers and staff are working in the secretariat of the office of the

Comptroller and Auditor General. The high ranking officers assist the C&AG in the administrative and policy making functions, procedural matters and audit functions of the SAI. The secretariat also prepare summary for submission of the reports of the C&AG to the Honorable President.

### **Human resources**

Around two thousand five hundred officers and staff are presently working in the offices under C&AG of which nineteen percent are women. Table below shows the total number of manpower and officer –staff status.

#### **C&AG Human Resources**

	Class	Male	Female	Total
Officer	I	453	51	504
	II	161	27	188
Staff	III	1164	329	1493
	IV	266	59	325
	Total	2134	466	2510

Figure 5.2.1 Source: OCAG Annual Report 2012, 2013

The office possesses a wide range of educational backgrounds among its employees. Officers and staff of the office of the C&AG have varied

backgrounds –science, humanities, finance, accounting and business administration. Cadre officers having MBBS degree, engineers, graduates from Agriculture University are also working in this department.

Total manpower position of the Office of the C&AG and Audit directorates till January 2015 stands as follows:

Grade/Class	Approved Strength	Actual
Grade II	02	02
Grade III	12	12
Grade IV	0	0
Grade V	18	18
Grade VI	57	52
Grade IX A A G	45	14
Grade IX A A O	379	404
S A S Accountant	688	210
Divisional Accountant	02	01
Class III	2082	1414
Class IV	371	286
Total	3656	2413

Figure 5.2.2 Source: C&AG's monthly report to MOF

66% of the total strength only is engaged in the office of the CAG and Audit directorates under it.

Working strength of offices under C&AG's command (includes office of the C&AG, FIMA, Civil, Military & Railway Accounts and All audit directorates)

Particulars	Approved Strength	Working Strength
Cadre Officer (BCS: Audit & Accounts)	357	262
Non Cadre Officer (Class I & II)	1027	1009
SAS Accountant	1686	1081
Class III	8823	6011
Class IV	1452	1057
Total	13345	9420

**Figure:5.2.3 Source: C&AG Monthly Report (January, 2015 )**

With almost 3 times increase in manpower since 2004 across all branches of offices under C&AG covering Civil, Military, Railway Accounts, FIMA and Audit directorates the number of professional qualified staff are too scanty to count. Independent Public Service Commission recruits cadre officers

directly through competitive examination. They are university graduate. Staff is appointed by the C&AG.

**Organizational chart of OCAG<sup>29</sup>**

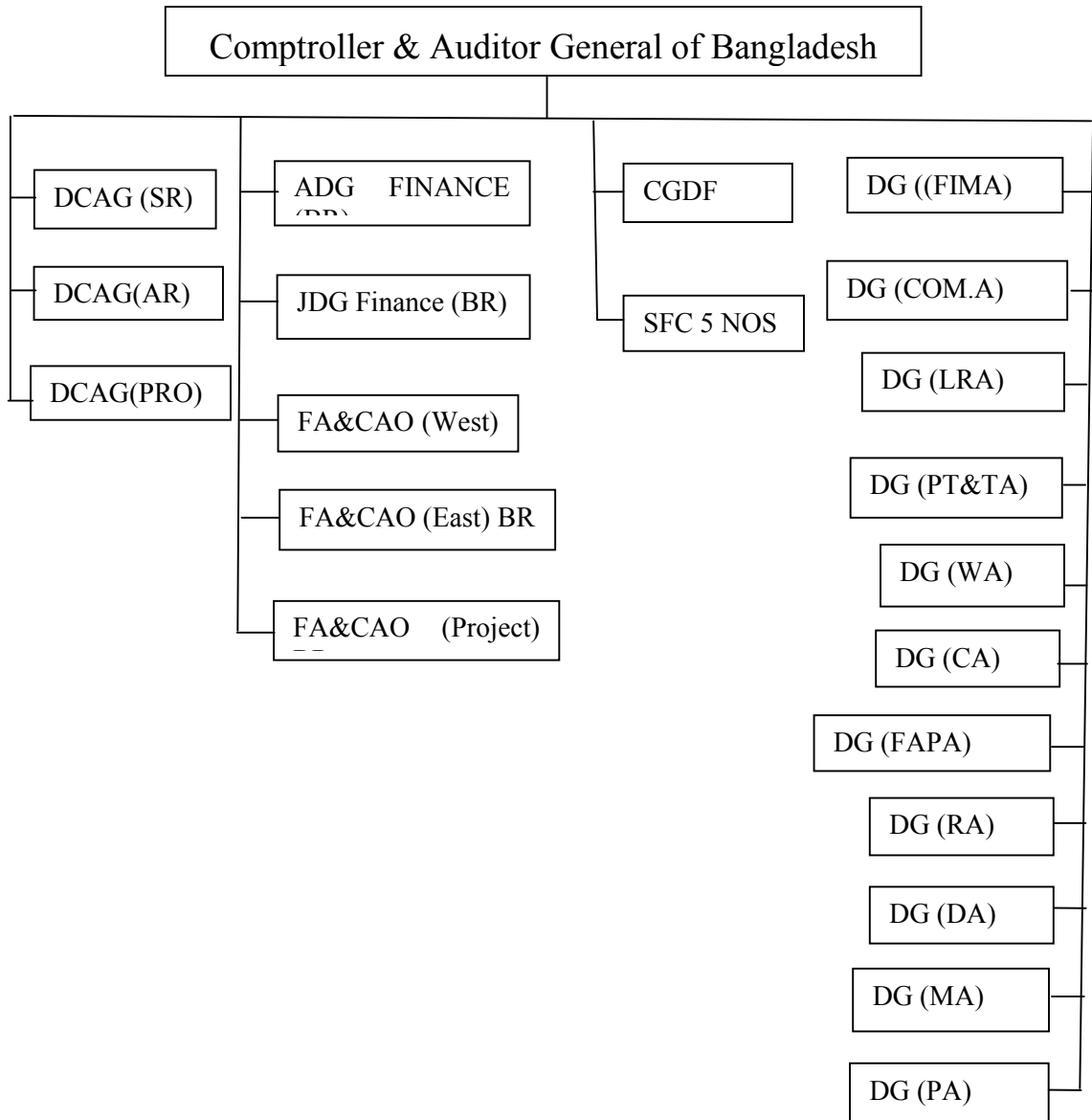


Figure 5.2.4

<sup>29</sup> The office of the DG PT&T has been renamed as DG PTST(Post Tele Communication Science & Technology since 24.4.2014

FAPA	:	Foreign Aided Projects Audit.
SR	:	Senior
WA	:	Works Audit
MA	:	Mission Audit
AR	:	Accounts & Report.
PT&TA	:	Post, Telegraph and Telephone Audit.
PRO	:	Procedure
SFC	:	Senior Finance Controller
ADG FINANCE (BR)	:	Additional Director General Bangladesh Railway
FIMA	:	Financial Management Academy.
JDG BR	:	Joint Director General Bangladesh Railway
COM. A	:	Commercial Audit.
CA	:	Civil Audit
LRA	:	Local & Revenue Audit.
FA&CAO	:	Financial Adviser & Chief Accounts Officer.
RA	:	Railway Audit.
DA	:	Defense Audit.
CGDF	:	Controller General Defense Finance.
PA	:	Performance Audit.

### **Audit Directorates**

The CAG has 10 Audit Directorate. Each audit directorate has a Director General (DG) as the head of the office. The Audit Directorates were setup on a functional basis. The DG on behalf of the C&AG conducts audit and prepares audit reports. Audit directorate prepare audit plan, provide training and supervise audit team. C&AG have a Central Quality Assurance Team (QAT) of its own strengthened with senior officials of C&AG office and different directorates.

#### **Functional Areas of Audit Directorates**

- 01 Commercial Audit Directorate-All public sector entity and state owned enterprises(SOEs) including nationalised commercial banks (NCBs) and financial institutions , autonomous , semi-autonomous bodies and public holding companies (631)<sup>30</sup>
- 02 Local and Revenue Audit Directorates: All civil government departments, local and statutory bodies including municipalities, city corporations, universities and the National Board of Revenue(NBR) (431)
- 03 Civil Audit Directorates : Office of the Controller General of Accounts(CGA), 6 Divisional Controller of Accounts Office,49 Chief Accounts Offices, 58 District Accounts Offices and 418 Upazila Accounts Offices under CGA (226)

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<sup>30</sup> Bracketed numbers are manpower reflected in the annual report

- 04 Works Audit Directorate Public works expenditure of the Public Works Department, Roads and Highways Department, Bangladesh Power Development Board, Bangladesh Water Development , 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 (263)
- 05 Foreign Aided Projects Audit Directorate: All development and technical assistance programs and projects in the public sector funded by foreign aid (225).
- 06 Railway Audit directorate All establishment of Bangladesh Railway, office of the Additional Director General (Finance), Bangladesh Railway and offices under its administrative control: (139)
- 07 Post, Telegraph and Telephone Audit directorate: All establishments of the Postal Department, Bangladesh Telecommunications Company Limited, Bangladesh Telecommunications Regulatory Commission and the office, Ministry of Post and Telecommunication Chief Accounts Officer, Ministry of Post and Telecommunication(197)
- 08 Defence Audit directorate: All units/formations of defence forces, including army, Air force and Navy, field service organisations like the Department of Meteorology, Geological Survey of Bangladesh,



Controller General Defence Finance(CGDF) including the offices of the Defence Finance Department under CGDF (1490)

- 09 Mission Audit directorate: All overseas missions under Ministry of Foreign Affairs, nationalised overseas banks, shipping corporation offices and Biman Bangladesh Airlines offices operating abroad (35)
- 10 Performance Audit directorate: Performance audit of selected bodies<sup>31</sup>(24)

The way these audit directorates select auditable units is something interesting to note. Even though the C&AG office has attained more than forty years of experience the criteria for selecting auditable units by the audit directorates still lies with the volume of budget spent by an entity. It took years to make the directorates recognize the auditable units as entities. While selecting auditable units less or no attention is given to the role or character of the unit. No particular standards have been set to determine the auditability of any organisation. The effect is that a huge number of units lie beyond the scope of audit for years. To cite the status of Works audit directorate, this directorate alone has 2077 number of units to audit. These are classified as annual, tri yearly and six yearly auditable units. This classification is based absolutely on the volume of budget spent by the units. This way of identification of auditable units allows many entities to remain

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<sup>31</sup> Annual Report(2013) C&AG Bangladesh. Numbers showing at the end of the paragraphs are the number of manpower working in each directorate.

. Notable that directorate of performance audits though the latest entrant in the audit directorates is yet to contribute significantly in the governance process.. This directorate is run by non professional personnel at all level..

un audited for a very long period of time, thereby jeopardizing the objective of audit itself leaving accountability of the auditee and auditor undetected. The audit objections on so called, say 10 small units remaining unaudited for years may cumulatively able to be big enough to raise a voice on weak governance.

Following are the chronological steps of state audit followed by the directorates<sup>32</sup>:

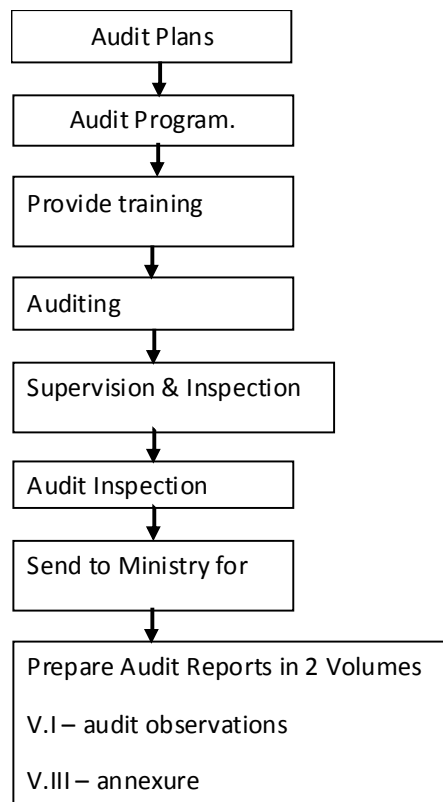


Figure 4.2.5

State audit chronology follows a common pattern mostly in all directorates save foreign aided audit directorate. The sequence follows: selection of audit

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<sup>32</sup> Hakeem, Ataul, (2013)

entity> assigning time and manpower> holding briefing sessions at HQ>conduct of audit at field level> preparation of initial report> preparation of advance and draft paragraphs >preparation of final report in two volumes ( Main report and Annexure)>approval of C&AG >submission of report to president >presentation to parliament for discussion. The involvement of components in the audit process can be put as follows:

Audit Directorates selects auditable units on a category on the volume of budget spent by the units. The more the volume of budget, the brighter the prospect of being selected for audit becomes. The nature of service the organization provides gets lesser consideration.

Initial audit inspection report submitted at the field, gets its way to the list of advance paragraphs after being scrutinized at the headquarter level. The task of marking the paragraphs as advance is done by the quality assurance team at the directorates.

When repeated letters written to the ministry reminding the contents of the objections remain unattended or not responded with sufficient arguments to nullify the objections raised, the paragraphs are sent to the C&AG for his approval to include them in the final audit report.

After the scrutiny of the reports by a central quality assurance team comprising of deputy C&AG senior , one or two Director Generals and Officials from C&AG office the Comptroller & Auditor General approves the reports and authorize printing power to the directorates. Each report contains a certificate by the Comptroller and Auditor General to the effect of conducting the audit and preparation of the audit report.

Office of the C&AG approves and forms audit teams in case special/issue based or performance audit and follows up these audit teams. C&AG office finalizes these reports through Central Quality Assurance teams at C&AG office and submits the reports published either annual, special, issue based or performance audit to the President for onward submission to Parliament through Finance Ministry

Prior to submission of the report to the President a brief based on the reports prepared is submitted to the Prime minister of the country.

Public Accounts Committee decides the reports to be discussed in the committee. Identifies the objections in particular that would require the attention of the members and arranges discussion meetings with the committee members on reports chosen at the discretion of the chairman of

the committee where C&AG and Principal Accounting Officers are placed at the dock.

In case of Foreign aided audit directorate the audit process followed is common in character with all international agencies. As some donor agencies like ADB, World Bank and UN bodies want reports specifying dates for submission of audit reports, it becomes compulsory on the part the audit directorate to conduct audit within a stipulated time frame. It starts with entry meeting with the auditee, in this case, the representatives from donor agencies and project directorates join. They are informed of the expected time of audit and briefing on follow up some of previous audits are also held.

Audit team prepares the detailed audit programme and gets approval of the Director General. Audit inspection reports received from the field audit teams are scrutinized by the quality assurance committee at the head quarter. Exit meeting is held for thorough discussion of the report for its agreement. The FPAD audit is basically financial audit in character certification of accounts is principally emphasized here. On other audit observations the process followed is the same Based on the comments of the Secretaries the

draft audit reports are sent to C&AG office for approval and on getting approval the reports are published.

### **Audit parties in the directorates**

On an average the quarterly audit programmes mostly in one financial year are like the following:

Number of Quarterly Audit Parties in the field

<b>SL No</b>	<b>Directorate</b>	<b>Audit Parties</b>
1	Works Audit Directorate	23
2	Civil	18
3	Local and Revenue	45
4	Foreign aided project	44
5	Commercial	57
6	Defence	17
7	Railway	11
8	Mission	22
9	Post, Telephone and Telegraph	11
10	Performance	1
	<b>Total</b>	<b>248</b>

Figure 5.2.6

By way of analyzing the manpower structure and the audit teams at work, it would appear that the office of the C&AG is a bottom heavy structure with noticeable lack of professional staff at the top. With a total manpower of 2500+ spread across the audit directorates it has to conduct audit of approximately 2300 units covering all ministries, directorates ,departments, autonomous and semi autonomous bodies and state owned enterprises. Quarterly 248 audit teams carry out the task with a very insignificant number of professional staff (only 148 in number, top being 85 in CIPFA in certificate level and 34 MBA) or graduates from accountancy & information systems of recognized universities. A directorate like commercial audit do not have any chartered accountant or CMA , Works audit directorate do not have any engineering or technical experts like that of SAI Japan.

With a top down approach a plan cascades down the line for execution at field level .Selection of auditable units made seemingly are on flimsy ground as volume of budget spent gets priority than the nature of the organization or service it renders. Initial inspection report in the field, if not responded on time by the auditee, with reasonable acceptable justification for auditor, gets its way all though the channel up to C&AG for his approval<sup>33</sup>

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<sup>33</sup> Before being sent to C&AG the quality of such reports gets preliminarily assured at directorate level. However the quality is sometimes compromised as the same set of people may become members of QAT at the directorates, who were working in the field at the time when those objections were raised. This is an ethical jeopardy and an incidence of conflict of interest. It so happens that members of one QAT might be

Within a stipulated time frame (referred later in the chapter) if the reply from the field does not appear to be acceptable the objection is sent to the ministry for their comments. In case of non availability of comments from the ministry in time or unsatisfactory response from the ministry the matter is referred to the secretary to the ministry. In case the reply remains still unsatisfactory or not on time, the objections get their places in the Audit report approved by C&AG.

This process of audit from initiation of programme to final approval is common for all directorates except Foreign aided project audit directorate. It has detailed audit manual, a standard accounting format and a reporting schedule agreed with the donors.

Audit process at C&AG\_office composes a different style.. In case of issue based or special audit and in case of programmes by Performance Audit directorate, the office of the C&AG is the approving authority. The teams are formed by C&AG office. cadre officials are made the team leaders composing of teams members, ranging from 3 to 5, and the nature of audit is more like value for money audit than regularity audit. Steps of audit involve: Audit Plan > Audit Programme > Inspection and Supervision > Comments of the ministries > preparation of audit reports. It takes 60 days to make an

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possessed with serious obsession about the group or an individual who raised the objection and send the objection raised, whatever significant it may be, to insignificance and its place to the bin.



issue based or performance audit report including submission of initial report at the field level. This is reflected by the following chart:

SI No.	Activity	Days allowed
a	Submission of Local Audit Report at a)auditable unit b)Audit directorate	a) On the last day of audit b)Within 7 days of completion of audit
b	Quality Assurance Team	Within 10 days after receipt of LAR (Local audit report) <sup>34</sup>
c	Approval of DG	Within 5 days after getting clearance from QAT(Quality Assurance Team)
d	Discussion with secretary	Within next 5 days
e	Response from ministry	Within 21 days after discussion with Secretary
g	Final manuscript preparation	Within next 12 days <sup>35</sup>

Figure 5.2.7

For issue of annual financial audit report the approved system is like the following:

- 1) Inspection report to be sent to the ministries/departments and response to be collected from them within 35 days

<sup>34</sup> renamed as Audit Inspection Report since 2012

<sup>35</sup> Office Order of C&AG office ,2005

- 2) 14 days time allowed to send reminder and wait for response from the ministry/unit if no reply is received within stipulated time
- 3) 28 days time allowed if no response is received from the ministry the DG audit directorate will write demi official letter and wait for reply
- 4) audit directorates will prepare draft audit report within 13 days.

Entire process will take 90 days<sup>36</sup>

Whether the existence of such office orders for regular, special or performance or issue based audit and the manpower engaged in conducting audit leaves a contributory effect on governance will be examined in our secondary document analysis section.

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<sup>36</sup> Office order of C&AG ,1997

## Chapter 6

### Data Analysis

This chapter contains three sections. Analysis based on comments and response during interview with open ended questionnaire, is placed in the first section; the second part contains analysis based on responses on structured questionnaire and the third part is about analysis based on secondary sources of information like; annual activity reports, annual audit reports, case studies and PA Committee proceedings over a period of time.

#### **6.1 Analysis based on interviewees' response**

To recapitulate, the parameters selected for this research were the guiding force to extract information mainly on the basis of open – ended questionnaire survey. Consequently, the rationalization of the response provided by the wide and diverse group of respondents could be reasonably achieved by the natural connectivity of the key research objectives, the conceptual framework and model developed for this research and the eventual analysis of the responses.

From the state audit perspective, examining governance issues, require a judgmental evaluation. This assessment is influenced by the presence of

some peripheral qualitative mutually inclusive factors that mainly dictate the society in which governance is evaluated. The increasing rise of consciousness of the civil society, the decreasing sense of value judgment, the undeniable robust encroachment of corruption in bureaucracy compel a quest for identifying benchmarks to measure governance. The often used parameters or measuring tools used by the interested groups like international agencies largely emphasize the quantitative aspect of governance rather than qualitative ones. To measure quality of the same, the apparatus appears to be state audit as it now goes far beyond its traditional role to a contributory status to pursue. State audit gets a meaning that equates with the necessity of building an accountability framework for setting a priority strategy to attain positive national objectives.

The necessity of state audit as an aid to good governance deserves consideration for a number of reasons. Those include a requirement for a dependable assurance that information provided in the state audit reports is sufficient in quality and contents for decision making; that the auditees are made aware of the fact that audit finds out lapses in systems and their operation and suggest mending where needed. State audit by its nature of operation, through examining accounts and the rationale behind the transactions recorded, can help achieve goals with lesser degree of

inconsistency and set precise matching preferences from alternatives for the future decisions. State audit as such becomes a link between past and future.

Bangladesh as a country has vowed to raise the level of standards of life, education, health and habitat for its citizens. The impartial agency which can measure such achievement free from external influence is the Supreme Audit Institution popularly known as C&AG. The Constitution is its authority. However an investigation is required to see whether current practice of state audit and application of audit outcome can prove it as an aid to good governance. It is also required to see if adequate assurance within applicable structure and acceptable suggestion can work for effective results. These may lead to a greater sense of awareness about audit applicability for strategic priority fixing in execution of national plans and thereby setting an accountability framework in the process.

Environmental expectation is that state audit should not only find out broadly irregularities but also unfold reasons for mismanagement of state fund through microscopic<sup>37</sup> analysis with ways to facilitate. A model is developed to that end in this research. Simply put, with information gathered through acceptable standards that are applicable under prevailing

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<sup>37</sup> Sheila Fraser(2015), former Auditor General Canada *Putting accountability under the microscope* in the journal on observing 25 years of CCAF –FCVI

circumstances, effectiveness of state audit can be assured. This in turn will improve awareness of those involved in the governance process and help them make preferences for execution of government plans and programmes for state deliverables under an accountability framework.

The stakeholders including citizen at large demand that audit should be conducted in a way so that it plays contributory role in thwarting weak governance. So the issues that intrigue the researcher relate to

- understanding current status of state audit and governance
- the way the connectivity between these two systems can be assessed and developed

It is also required to understand the essential features of state audit which strengthens governance. Such features include assurance, acceptability, applicability and effectiveness. On the feature of assurance clarity is required to know

- whether the audit reports possess sufficient information to help decision making
- whether information provided by state audit are updated and relevant to influence policy making.

About the features of acceptability it is needed to get view on

- the quality of audit reports and their contents
- efficacy of the way state audit is conducted

On features of applicability questions need to be answered about

- relevance of current audit findings influencing governance
- substantiation of audit system with international best practices

Views on effectiveness of state audit opinion have to be taken to understand:

- whether practice of state audit are based on value for money and its impact on good governance
- whether practice is based on professional skills and techniques

When these basic features of state audit become prominent their influence justifies the features of good governance which are reflected in the model as awareness, preference, execution and accountability.

For the purpose of ascertaining the impact on awareness about state audit for good governance some questions need to be answered like

- how in terms of period and contents the audit observations are responded by the auditee
- whether the reports of C&AG are used while preparing national budget

As reliance on audit information augment better selection of programmes and projects from alternative choices, some points need to be clarified such as :

- the reasons for delay in response to the audit objections/observations
- the suggestive role of state audit getting out of traditional stance to strengthening its contributory roles

To get the view of the way state audit products are used in execution or operational context the question among others need to be answered are about

- adequacy of state audit techniques and methods to simplify the execution process
- whether through effective follow up audit past findings are used for viable future progress



As the concept of accountability becomes ultimate parameter for good governance issues need to be resolved to ascertain

- whether state audit as it assigns responsibility for performance, any decision without ethical consideration is sufficient to influence governance
- Whether merely assigning responsibility for misdoing is sufficient for C&AG or parliamentary committee to justify their role in the accountability framework within a futuristic approach.

In line with this type of enquiry a set of open ended questionnaire is also used during interview (Annexure A)

With this hindsight, to determine the role of state audit that strengthens good governance some groups of stakeholders engaged in the audit and governance process have been interviewed. As the population is diverse in character in terms of operation and application of state audit and governance process, 100% of Directors General, Five Comptroller and Auditor General serving at different periods of spanning around 20 years, 50% of the secretaries, 80% of Members of Public Accounts Committee and a handful members of academics, national and international consultants engaged in

SAI activities including one advisor to the caretaker government and members of professional bodies have been interviewed leaving enough room for respondents to reply using their immense storage of knowledge and experience.

The Director Generals are engaged in planning, monitoring and supervision of the operation and get audit done, the Secretaries of different ministries who work as the Principal Accounting Officers are involved in the implementation process of government plans and programmes, the members of Parliamentary Committees use the audit reports and C&AGs who work as the head of oversight agency responsible to carry out the task of state audit as per constitutional requirement. Another important group is the academicians, members of civil society, representative from development partners and national and international consultants working in the field of audit collectively termed as others for the purpose of the study.

Four parameters for each variable –audit and good governance have been selected to test the hypothesis that states audit is an aid to good governance. In case of state audit these are ‘assurance’ giving ‘acceptability’ of information to ‘application’ and ‘effectiveness’ of purpose for which those are needed. Thereby creating an ‘awareness’ in setting ‘preference’ and

‘execution’ of plans fixing ‘accountability’ involved in the process for good governance

Qualitative improvement in the governance process can be assured only when there is improvement in the process how audit is conducted. By conduct of audit we mean, the process of audit from initiation to final report writing. The current status of the C&AG staff do not bear testimony to the fact that the auditors are adequately trained and possess the latest knowledge and technology to address the popular demand of contributory role of audit. When governance is equated with audit necessity to understand the status of state audit, becomes essential.

The question on how elements of audit fit in good governance needs to be looked into briefly at this point. If audit is conducted based on insufficient evidence the resultant effect will be provision of inadequate information for the decision makers. The reason for not getting insufficient evidence is related to the techniques how information is collected. This entails assessment of the way how state audit is conducted.

Collectively when the response is analyzed it is found that the interviewees agree that audit should be planned in a way so that the focus of examination

and reporting identifies the achievements and non achievements of objectives for which government expenditure is made.

It transpires from the tendency of responses that a notable change is taking place in the mindset of the stakeholders. A major shift towards the purpose and objective of state audit for good governance is taking place. This results in creation of demands for changes in the present practice of state audit that dates back to 18th century. More concern is shown to identify performance for which government expenditure is made and systemic improvement to redress wrongs and punish those responsible for wrong doing.

However to make audit suggestions more acceptable and applicable, the view in general is in favour of shifting the practice from traditional approach to modern outlook to be conducted by professional experts. They also viewed that present state audit outcome is less informative and suggestive for managerial decision making. It means state audit is not conducive to provide sufficient assurance for decision making. However during interview no examples could be cited that bear testimony to the fact that any full parliamentary session was held on audit reports or PAC meeting procedures since independence of the country. Interviewee were in favour of making provisions for holding parliamentary discussion every year on Finance and

Appropriation account of the immediate past financial year, before the declaration of the current year's budget every year.

It was viewed by the majority of interviewees that only practice of quality audit can help identify governance lapses. By the term 'quality' they mean state audit to act not merely as watchdog but as a pathfinder too. Along with best practice continuous examination and interpretation of government receipt and expenditure state audit should highlights ways for improvement of the system followed. However there was common resentment on the style and contents of state audit reports prepared by C&AG auditors and their inability to influence governance decision making..

This is again linked with the professional management of state audit from planning of auditing to final preparation of reports. To make this happen the major response is in favour of strengthening the office of the C&AG to help it conduct unbiased audit and assign accountability and transparency of government receipt and expenditure. However some interviewee also favoured a reduction of manpower with replacement of technological knowhow for effective auditing results leading to good governance.

On the question of strengthening the relationship between audit and governance, most of the respondents held the view that it becomes stronger

when auditee could take immediate corrective action on the basis of audit findings. On reasons for audit observations not being adhered to by the auditee, the respondents viewed that the quality of audit reports is not sufficient enough to draw positive response from them.

However it is evident that there is agreement among the stakeholders that there is a positive correlation between state audit and governance as both auditee and auditor have a responsibility to share.

It transpires from the response that the conceptual limitation that audit should not comment on policy decision is changing. It is now increasingly felt that auditors can help in making policy decision with their findings and suggestions. To further the cause for good governance respondents were in favour of widening the scope of state audit to help making policy decisions of national development. They viewed that policies analysed by an independent state audit can help identify the deficiencies and lapses that deters attainment of national objectives and fixing priorities. In response to what necessitates audit to evaluate governance policies major response was that it can help assess sectoral social justice, allocation of resources for equitable justice, assigning responsibility for non fulfillment of objectives and assess citizen's participation in the policy formulation. However, there was response also to distancing audit from policy examination to retain its

distinct characteristics. It is evident from the responses that a conscious attempt in shifting audit approach from its traditional role of conformance character to societal contribution is becoming evidently conspicuous.

In response to determine the way how to develop effectiveness of audit the response in general was to allow adequate independence to the Auditor General. However a contradiction is observed as the next highest response is that conduct of meticulous audit is enough to bring effectiveness of audit whether there is independence of audit or not. .

Interestingly this degree of disagreement on the question of independence of Auditor General within and outside the department is influenced by many factors. Amongst them the question of applying authority under the nomenclature of exercising 'power' often poses question on its fairness in application by many. The question is also raised whether C&AG has the capacity to retain its independence with a band of un skilled professional staff.

About the way how to make audit reports meaningful for good governance major response was in favour of inclusion of contents that assess follow up actions on audit findings. However there were opinions from the interviewee about improving the techniques of state audit so that those can focus on misuse of government fund.

It appears that following up the past audit findings in the form of undertaking future audit plans and programme is also increasingly becoming a subject of concern for stakeholders to ensure good governance.

On the question of identifying cause of bad governance respondents viewed that policy decisions are not based on the findings of audit reports. It is also viewed that management ignores audit recommendations. So also was viewed that natural propensity to practice corruption by civil servants causes bad governance.

In response to the question whether quality of auditors influence quality of audit highly responded opinion was that professional competence strengthens auditors to find out the linkage between the policy and implementation aspect. The startling response was that auditors' inability to pursue code of ethics leads to negotiated audit reports. This response is largely vouched by all segments of interviewee.

The way how parliamentary committees can be helped by state audit in establishing good governance major respondent viewed that when audit reports are discussed by the members of Parliament within a reasonable time and follow up actions on them are also reported an attention on the findings of audit and comments of the parliamentarians become viable tool for good governance. However it was also viewed that the reports must be



substantiated with reasonable assurance about their accuracy and evidential proof.

It further transpired that if the C&AG reports on each years' finding are discussed and followed up regularly in the parliament without leaning to any particular year or regime when those objections were raised governance can be substantially improved.

About the time of conduct of state audit which always lags behind current financial year , it is opined that if the audit of the current fiscal year is conducted at any time instead of waiting financial year to close ,governance can be improved.. The concerned researcher describes this process as 'preemptive audit'<sup>38</sup>. This interceptive approach of audit allows auditee enforce preventive measures against financial irregularities and mismanagement of fund.

Rationale for conducting such nature of audit is:

- Opportunity cost of fund becomes more favourable;
- savings of manpower through optimum utilization;
- prior action on financial impropriety;
- improving awareness in managing public funds;

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<sup>38</sup> The concept of preemptive audit is developed by this researcher as a futuristic indication of audit for better management of government finance

- Strengthening effectiveness of audit in deterring misuse of public money.

The other closest response was to propagate conduct of audit immediately after the financial year closes instead of waiting for months to start auditing of the year passed. At present the audit of one financial year is carried out after elapse of minimum 3 years and it takes even years to discuss the report in the PAC. Interestingly the whole of audit objections in one particular report is not discussed in totality. The recommendations of the PAC do not have any legal bindings in the court of law. The parliamentarians and academics expressed their concern to initiate steps to give some legal base for acceptability of PAC recommendations in the court of law hitherto not established.

The majority of respondents viewed that significant number of skilled manpower in the directorates is required to make the impact of audit on good governance. It is also viewed that timely issue of final version of audit reports at field level also helps in good governance as the objections raised by audit can be immediately attended by the auditee.

In response to the question on the contents of audit reports for good governance among the respondents majority in number responded

highlighting comparative review of achievement of national objective are helpful. Closer to this response is the opinion that recommendations on mitigating deficiencies of management are also required to ensure good governance. This concept of mitigation of administrative lapses though seem to be not a part of audit task, the contemporary thought to introduce root cause analysis<sup>39</sup> from planning to reporting can be a very good consideration for governance improvement.

On the view that state audit and good governance are keenly interconnected, the major response is that both auditor and auditee should agree that audit plays a catalyst role for better governance by highlighting deviations. The rationale for this response is that both auditor and auditees are accountable for their performance as both of them works for effective financial management of limited resources.

Members of the BCS: Audit & Accounts cadre work both in Audit directorates and Accounts offices under C&AG .Question is raised as to the fairness of the system as it has similarity with ‘having the cake and eating it too’. Bone of contention is that audit and accounts are two separate disciplines in financial management and for good governance these should

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<sup>39</sup> Referred to a thematic paper published by the research wing of CCAF-FCIV in 2014

remain distinct in character and managed by two separate groups of professionals. It has been remaining as a debatable issue since the creation of independent Chief Accounts Offices for each ministry, more precisely, after the separation of Controller General of Accounts from C&AG since 2003. However there is argument in favour of retaining the system as it is, particularly when the characteristics of bureaucracy is subjected to criticism and doubt for mal- practice and wide spread corruption. It is rather preferred that better governance means conglomeration of competent personnel in both audit and accounts. However a group responded that compartmentalization will not yield better result unless there is professional acumen developed in both discipline.

For good governance through state audit it was widely viewed that a major structural adjustment of the CAG office allowing it to work free from all political pressure is needed. It was favoured by many to strengthen performance audit directorate into a meaningful governance directorate. It is also suggested that creating separate audit directorate for major spending ministries could also be a better way to ensure good governance.

On the question of strengthening office of the C&AG through providing additional power it is agreed by the majority of respondents that

embodiment of judicial power in the Audit Act like those of Napoleonic SAIs Court of Audit will help it work without impairing independence.. However there is opinion in favour of formation of advisory board comprising of academics, members of professional bodies and audit experts to provide parental guidelines and help ensure good governance through state audit.

For creating audit awareness it was agreed by the interviewee that arranging regular briefing sessions for parliamentarians and secretaries involving media personalities at C&AGs initiative can help establish good governance. Some favoured initiation of discussion with secretaries immediately the objections are raised at field level instead of waiting for indefinite time for preparation of advance or draft paragraphs.

## 6.2 Analysis based on questionnaire response

Two forms of questionnaire both open ended (**Annexure A**) and structured (**Annexure B**), developed for gathering qualitative data are complementary in character. The questions are basically focused to get the perception of the stakeholders on **environmental expectation** of **state audit** and **governance** and how to bridge the connectivity for improved performance. More specifically, the parameters of state audit ( quality to provide **assurance** to the credibility of information furnished; **acceptability** of the observations made and the style of current state audit practice; basis of **applicability** of the recommendations of state audit and innovation in the process and **effectiveness** of state audit in the context of its operation and contributory impact on governance ) and the resultant effect of state audit on the parameters of governance (**Awareness** created by audit about weak governance; influencing selective **preference** for policies and programmes in a democratic set up; emphasizing appropriate and accurate **execution** and implementation through a binding **accountability** consciousness of both at auditor and auditee's end to affect governance) have been considered.

In the structured questionnaire, each question contains 5 optional answers which have been coded according to significance.(**Annexure C**) Then a

survey was conducted among Member of Parliament, ex and present Comptroller & Auditor General, Secretaries, Director Generals, Audit team leaders and Academicians, Ex advisers to the government, national and international state audit experts commonly bracketed as Others in this research.

After completion of survey, frequency distribution tables have been formulated showing category of respondents and code of responses. Then hypothesis has been developed against each question. These hypotheses have been tested using frequency distribution table. Chi-square test has been used to validate the hypotheses where the significance level was considered as 5 %.

However, the responses reflected in the interview sessions with open ended questionnaire are echoed in the expression of the general responses on the structured questionnaire equally. The responses have a common trend that substantiates the state audit- governance model developed for this research. The questions developed covered the theoretical and technical aspects of the parameters of the model .The answers for each question were fixed but multiple in nature.<sup>40</sup>

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<sup>40</sup> Codified answers according to significance to all the questions have been shown in Annexure page 215-227

## Frequency of Response

Table -I  
Response on the view of present practice of state audit

Q1	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	0	0	0	0	0	2	2	1.36
Code 2	0	1	1	0	6	1	9	6.12
Code 3	1	1	2	0	22	3	29	19.73
Code 4	5	1	8	2	30	10	56	38.10
Code 5	6	2	9	8	17	9	51	34.69
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	0	0	0	0	0	0	0	0	0	0	2	8	2
2	0	0	1	20	1	5	0	0	6	8	1	4	9
3	1	8.33	1	20	2	10	0	0	22	29.33	3	12	29
4	5	41.67	1	20	8	40	2	20	30	40	10	40	56
5	6	50	2	40	9	45	8	80	17	22.67	9	36	51
12			5	20			10		75		25		

**About** the present practice of state audit major response (38.10%) was that the immediate attention should be focused on involving modern techniques to identify wrong and suggest systemic improvement to permanently redress the lapses in state audit. The next response (34.69%) was that state audit should be planned in a way so that the focus of examination and reporting identifies the achievement and non achievement of objectives for which government expenditure is made. 19.73% respondent believe that audit



should concentrate on examination of books and accounts and comment on punitive action against the defaulter. 6.12% respondents agreed that audit can become helpful to management by drawing attention not to perpetuate repeated offence. Only 1.36% respondents are still clinging to the traditional system of state audit.

Interestingly amongst the respondents 50% of MPs, 40% of C&AGs, 45% Secretaries and 80% of Director Generals prefer that state audit should be planned in a way so that the focus of examination and reporting identifies the achievement and non achievement of objectives for which government expenditure is made. No audit team leader prefers continuation of traditional audit. Some respondent amongst Others (2 in number) preferred continuation of state audit.

Table -II

## Response on the status of state audit

Q2	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	2	0	2	0	1	2	7	4.76%
Code 2	2	1	3	1	40	4	51	34.69%
Code 3	1	2	4	2	5	4	18	12.24%
Code 4	3	0	3	0	10	2	18	12.24%
Code 5	4	2	8	7	19	13	53	36.05%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	2	16.67	0	0	2	10	0	0	1	1.33	2	8	7
2	2	16.67	1	20	3	15	1	10	40	53.34	4	16	51
3	1	8.33	2	40	4	20	2	20	5	6.67	4	16	18
4	3	25	0	0	3	15	0	0	10	13.33	2	8	18
5	4	33.33	2	40	8	40	7	70	19	25.33	13	52	53
12			5	20			10		75		25		

**About** the view on present status of state audit major response (53.33%) was that state audit is traditional based on experience rather modern in approach. 25.33% believe that it examines highlighting faults only but does not evaluate government programmes by objectives. The next response (13.33%) is that state audit is not done by professional experts. (6.67%) believe that it is less informative and suggestive for managerial decision making. 1.33% respondent believe it is not proactive to cater to the need for better financial management.

Noticeably 53.33% of team leader's categorized state audit as traditional based on experience than modern approach. Majority of respondents, (33.33% MP, C&AG 40%, Secretaries 40%, Director Generals 70%, others 52% ) were of the opinion that state audit as it is ,highlights faults only but does not evaluate government programmes by objectives.

Table -III

## Response on the role of state audit for good governance

Q3	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	0	0	0	2	8	4	14	9.52%
Code 2	1	1	10	6	30	9	57	38.78%
Code 3	1	0	4	0	2	0	7	4.76%
Code 4	3	1	3	0	16	5	28	19.05%
Code 5	7	3	3	2	19	7	41	27.89%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	0	0	0	0	0	0	2	20	8	10.67	4	16	14
2	1	8.33	1	20	10	50	6	60	30	40	9	36	57
3	1	8.33	0	0	4	20	0	0	2	2.67	0	0	7
4	3	25	1	20	3	15	0	0	16	21.33	5	20	28
5	7	58.33	3	60	3	15	2	20	19	25.33	7	28	41
12			5	20			10		75		25		

**On** question of identifying the role of state audit for good governance major response (38.78%) was in favour of improving the quality of state audit by identifying governance lapses and state audit should suggest ways for improvement. The next view (27.89%) was that when state audit conducts continuous examination and interpretation of government receipt and expenditure and highlights ways for improvement, the governance process become more effective.19.05% believe better governance requires strict application of audit standards and principles for achieving national goal.

9.52% believe that by changing the perception of audit from foe to friend qualitative change may take place to improve governance. 4.76% believe that better governance better governance is dependent on avid attention to audit objections

Among the respondent MPs 58.33% and 60% of C&AGs believe that when state audit conducts continuous examination and interpretation of government receipt and expenditure and highlights ways for improvement, the governance process become more effective

Table IV  
Response on view of governance in the context of state audit

Q 4	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	1	0	0	0	3	1	5	3.40%
Code 2	2	1	0	1	5	0	9	6.12%
Code 3	3	1	3	4	8	13	32	21.77%
Code 4	2	2	10	3	40	8	65	44.22%
Code 5	4	1	7	2	19	3	36	24.49%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	1	8.33	0	0	0	0	0	0	3	4	1	4	5
2	2	16.67	1	20	0	0	1	10	5	6.67	0	0	9
3	3	25	1	20	3	15	4	40	8	10.67	13	52	32
4	2	16.67	2	40	10	50	3	30	40	53.33	8	32	65
5	4	33.33	1	20	7	35	2	20	19	25.33	3	12	36
12			5	20			10		75		25		

**On** the question on respondent's view on governance in the context of state audit in Bangladesh majority responded (44.22%) that through strengthening office of the Auditor General to ensure accountability and transparency in government receipt and expenditure would bring good governance. The next major response(24.49%) was that good governance means professional management of audit process from planning to report writing.21.77% agreed that governance would mean application of modern audit techniques and reporting systems for effective management of government funds.6.12% viewed that governance would mean examination of books and accounts for better management of government fund and expenditure and only 3.40% agreed reduction of manpower with replacement of technological knowhow would result in good governance.40% of C&AGs, 50% of secretaries and 53.33% of Audit team leaders believe that governance can be made meaningful by strengthening office of the Auditor General to ensure accountability and transparency in government receipt and expenditure But 40% of DGs and 52% of others believe that application of modern audit techniques and reporting systems for effective management of government funds would improve governance.

Table V

Response on ways to strengthen the relationship between state audit and good governance

Q 5	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	4	3	5	4	30	5	51	34.69%
Code 2	2	0	0	1	20	3	26	17.69%
Code 3	0	0	2	0	6	0	8	5.44%
Code 4	5	1	7	3	9	4	29	Q 19.73%
Code 5	1	1	6	2	10	13	33	22.45%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	4	33.33	3	60	5	25	4	40	30	40	5	20	51
2	2	16.66	0	0	0	0	1	10	20	26.67	3	12	26
3	0	0	0	0	2	10	0	0	6	8	0	0	8
4	5	41.67	1	20	7	35	3	30	9	12	4	16	29
5	1	8.33	1	20	6	30	2	20	10	13.33	13	52	33
12			5	20			10		75		25		

**On** the way to strengthening relationship between state audit and governance the major response (34.69%) was that if auditee takes immediate corrective action to bring financial discipline as per audit findings, the relationship between state audit and governance will be strengthened. The next major response (22.45%) was that the relationship can be strengthened unless skillful audit was conducted to draw attention on governance issues. 19.73% believed that the quality of audit report is not positive enough to draw immediate response from the auditee .17.69% believed audit reports

are not timely responded by the auditee and 5.44% believed that audit reports are not adhered to by the auditee because findings are insignificant. 41.67% of MPs, 35% of secretaries 30% of DGs favoured the opinion that the quality of audit report is not sufficient enough to draw positive response while 52% of others believe skillful audit is not conducted to draw attention on governance issues

Table VI  
Response on broadening scope of state audit

Q 6	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	0	0	0	0	1	1	2	1.36%
Code 2	2	0	2	0	2	2	8	5.44%
Code 3	0	0	4	3	3	1	11	7.48%
Code 4	8	1	6	6	29	7	57	38.78%
Code 5	2	4	8	1	40	14	69	46.94%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	0	0	0	0	0	0	0	0	1	1.33	1	4	2
2	2	16.67	0	0	2	10	0	0	2	2.67	2	8	8
3	0	0	0	0	4	20	3	30	3	4	1	4	11
4	8	66.66	1	20	6	30	6	60	29	38.67	7	28	57
5	2	16.67	4	80	8	40	1	10	40	53.33	14	56	69
12			5	20			10		75		25		

**On** the question of broadening the scope of state audit for good governance majority of the response (46.94%) was in favour of engaging state audit in

the formulation of policy objective. 38.78% believed that state audit should concentrate on post policy implementation follow up. Only 7.48% favoured that state audit should remain confined to policy implementation only. 5.44% believed that state audit should remain limited to some selective policy decision examination and 1.36% believed that scope of state audit should be confined within orthodox auditing

Interestingly 80% of C&AGs, 40% of secretaries, 53.33% of audit team leaders and 56% of others believed that the scope of state audit should be broadened to examination of formulation of policy objective. However 60% of DGs supported extension of audit to post policy implementation follows up only.

Table VII

Response on meaningful existence of state audit for policy audit

Q 7	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	1	1	5	5	34	12	58	39.46%
Code 2	3	0	0	0	7	0	10	6.80%
Code 3	2	2	4	1	12	6	27	18.37%
Code 4	2	2	6	4	15	6	35	23.81%
Code 5	4	0	5	0	7	1	17	11.56%
Total	12	5	20	10	75	25	147	



Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	1	8.33	1	20	5	25	5	50	34	45.33	12	48	58
2	3	25	0	0	0	0	0	0	7	9.33	0	0	10
3	2	16.67	2	40	4	20	1	10	12	16	6	24	27
4	2	16.67	2	40	6	30	4	40	15	20	6	24	35
5	4	33.33	0	0	5	25	0	0	7	9.33	1	4	17
12			5	20			10		75		25		

**In response** to elaboration of the necessity of extending the scope of state audit to evaluation of governance policy, major response (39.46%) was that it should be extended to assess citizen's participation in policy making. 23.81% agreed that it is required to assign responsibility for non fulfillment of objectives by the implementers of policies, 18.37% considered it is needed to assess allocation of resources for equitable justice While, 11.56% believed that it is needed to assess all the issues mentioned earlier. 6.80% believed it is required to assess allocation of resources for social justice. 40% of C&AGs, 30% of Secretaries, 40% of DGs 20% of Audit team leaders and 24% of Others opined in favour of assessing sectoral social justice, equitable justice, assign responsibility for non fulfillment of national objectives and citizen's participation in the policy formulation

Table -VIII

## Response on effectiveness of state audit

Q 8	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	1	1	4	2	13	1	22	14.97%
Code 2	2	0	0	0	15	2	19	12.93%
Code 3	1	2	3	3	5	7	21	14.29%
Code 4	5	1	4	4	35	12	61	41.50%
Code 5	3	1	9	1	7	3	24	16.33%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	1	8.33	1	20	4	20	2	20	13	17.33	1	4	22
2	2	16.67	0	0	0	0	0	0	15	20	2	8	19
3	1	8.33	2	40	3	15	3	30	5	6.67	7	28	21
4	5	41.67	1	20	4	20	4	40	35	46.67	12	48	61
5	3	25	1	20	9	45	1	10	7	9.33	3	12	24
12			5	20			10		75		25		

**On** making state audit effective for governance the major response (41.50%) was that audit effectiveness can be assured with adequate independence of Auditor General. The next response (16.33%) was in favour of conducting meticulous audit enough to bring effectiveness of state audit irrespective of independence. 14.97% agreed that impartial audit work without external influence can make its effect congenial to good governance. 14.29% agreed that effectiveness of audit is jeopardized when Auditor General has to depend on ministries for its budget and manpower. 12.93%

were of the opinion that independent audit of the Auditor General's office will help improve the quality of work of CAG for good governance.

Interestingly 40% of C&AGs opined that effectiveness of audit is jeopardized when Auditor General has to depend on ministries for its budget and manpower. 40% of DGs, 46.67% of Audit team leaders and 48% of Others agreed that audit effectiveness can be assured with adequate independence of Auditor General. However 45% of secretaries opined that conduct of meticulous audit is enough to bring effectiveness irrespective of independence of the office of the Comptroller and Auditor General.

Table IX  
Response on quality of state audit reports for good governance

	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	1	1	7	2	6	3	20	13.61%
Code 2	0	1	2	1	4	0	8	5.44%
Code 3	4	0	6	0	8	4	22	14.97%
Code 4	1	1	0	2	16	7	27	18.37%
Code 5	6	2	5	5	41	11	70	47.62%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	1	8.33	1	20	7	35	2	20	6	8	3	12	20
2	0	0	1	20	2	10	1	10	4	5.33	0	0	8
3	4	33.33	0	0	6	30	0	0	8	10.67	4	16	22
4	1	8.33	1	20	0	0	2	20	16	21.33	7	28	27
5	6	50	2	40	5	25	5	50	41	54.67	11	44	70
12			5	20			10		75		25		

**On** the question on approach of audit reports for good governance the majority of response(47.62%) was in favour of inclusion of assessment of follow up actions on audit findings in the report.18.32% believed that reports should contain suggestions on areas of reformation.14.97% agreed that the approach should be to assign accountability of those responsible for misdeeds .13.67% agreed to revealing areas of irregularities in the form of fraud, forgery and misuse of government fund. While 5.44% preferred proposing punitive action where needed.

Of the total respondents 50% of MPs, 40% of C&AGs, 50% of DGs , 54% Of Audit team leaders and 44% of Others preferred assessing follow up actions on audit findings. While 35% of secretaries opined in favour of revealing areas of irregularities in the form of fraud, forgery and misuse of government fund. On proposing punitive action where needed MPs and Others remained silent.

Table X

Response on assessing bad governance in the context of state audit

Q 10	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	2	0	1	1	8	4	16	10.67%
Code 2	0	0	4	1	4	7	16	10.67%
Code 3	5	2	3	3	28	4	45	32.67%
Code 4	2	1	1	1	13	1	19	12.00%
Code 5	3	2	11	4	22	9	51	34.00%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	2	16.67	0	0	1	5	1	10	8	10.67	4	16	16
2	0	0	0	0	4	20	1	10	4	5.33	7	28	16
3	5	41.66	2	40	3	15	3	30	28	37.33	4	16	45
4	2	16.67	1	20	1	5	1	10	13	17.33	1	4	19
5	3	25	2	40	11	55	4	40	22	29.33	9	36	51
12			5	20			10		75		25		

**On** the issue of ascertaining bad governance in the background of state audit major response (34.69%) was that it happens because the policy decisions are not made or changed on the basis of findings of audit report. 30.61% believe that it happens because management ignores audit instructions. 12.93% believe that it occurs because the estimates prepared by ministries are not examined and vetted by audit. 10.88% believe that unholy alliance develops between the auditor and auditee, and there is a natural propensity to practice corruption by civil servants. 40% of C&AGs, 55% of secretaries, 40% of DGs and 35% of Others believe that weak governance is caused as policy decisions are not based on the findings of audit report. 41.67% of MPs, 40% of C&AGs 30% of DGs and 37.33% of Audit team leaders opined that weak governance occurs as management ignores audit instructions. 28% of others believe that weak governance occurs because there is natural propensity to practice corruption by civil servants.

Table -XI  
Response on assessing audit skill for good governance

Q. 11	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	0	1	2	2	6	3	14	9.52%
Code 2	2	1	3	0	3	4	13	8.84%
Code 3	1	1	0	3	5	5	15	10.20%
Code 4	4	1	6	1	30	1	43	29.25%
Code 5	5	1	9	4	31	12	62	42.18%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	0	0	1	20	2	10	2	20	6	8	3	12	14
2	2	16.67	1	20	3	15	0	0	3	4	4	16	13
3	1	8.33	1	20	0	0	3	30	5	6.67	5	20	15
4	4	33.33	1	20	6	30	1	10	30	40	1	4	43
5	5	41.67	1	20	9	45	4	40	31	41.33	12	48	62
12			5	20			10		75		25		

**On** the question of the quality of auditors influencing quality of governance major response (42.18%) was that only professional competence can strengthen auditors to find out the linkage between the policy and implementation aspect of governance. 29.25% respondents believe that skillful auditors are not subject to undue pressure .10.20% respondents agreed that as quantity prevails over quality, objective of audit for better governance loses importance. 9.52% respondents opined that auditees' knowledge about the competence of the auditor help them resort to audit crimes. 8.84% agree that Auditees' knowledge about the competence of the

auditor creates a tendency to commit misdeeds 41.67% of MPs,45% of secretaries,,40% of Secretaries and 41.33% of audit team leaders, 48% of Others believe that professional competence strengthens auditors to find out the linkage between the policy and implementation aspect.33.33% of MPS, 20% of C&AG, 40 % of Audit team leaders agree that skillful auditors are not subject to undue pressure.

Table XII

## Response on assisting PA Committee with C&amp;AG products

Q 12	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	2	1	4	1	4	1	13	8.84%
Code 2	1	1	2	1	6	1	12	8.16%
Code 3	1	1	8	3	15	9	37	25.17%
Code 4	3	1	6	2	20	12	44	29.93%
Code 5	5	1	0	3	30	2	41	27.89%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	2	16.67	1	20	4	20	1	10	4	5.33	1	4	13
2	1	8.33	1	20	2	10	1	10	6	8	1	4	12
3	1	8.33	1	20	8	40	3	30	15	20	9	36	37
4	3	25	1	20	6	30	2	20	20	26.67	12	48	44
5	5	41.67	1	20	0	0	3	30	30	40	2	8	41
12			5	20			10		75		25		

**On** the question how PA committee can be helpful to SAI in the governance process major response (29.93%) was that it can happen only when audit

reports are prepared and submitted with substantial and reasonable proof 27.89% respondents believe that state audit can be helpful when audit reports submitted for discussion in the parliament with reasonable assurance about their accuracy and evidential proof. 25.17% respondents believe that when state audit reports are discussed by the members within a reasonable time instead of leaving those for years and follow up actions are assessed within specific time limit. 8.84% believe it happens when the committee discusses the audit reports irrespective of the regime to which it belonged either during the period of party in power or during the period when opposition was in power and 8.16% agree that the committee should possess the right to adjudicate the offenders directly as per audit recommendations.

Interestingly 41.67% of MPs, 30% of DGs and 40% of Audit team leaders agree that audit reports submitted for discussion should be substantiated with reasonable assurance about their accuracy and evidential proof; 25% of MPs, 30% of secretaries, 48% of Others believe that when the reports are substantiated with reasonable proof they become useful for the stakeholders in the governance process, 40% of secretaries, 30% of DGs, 36% of Others believe that audit reports need to be discussed by the members within a reasonable time and follow up actions should be assessed within specific time limit. Interestingly each one of the the C&AGs interviewed supported each one of answers distinctly (20% each) meaning no two C&AG agreed the same answer.



Table XIII

## Response on assurance of audit findings for better Governance

Q13	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	1	1	3	1	3	2	11	7.48%
Code 2	3	0	3	0	6	5	17	11.56%
Code 3	2	0	2	1	17	2	24	16.33%
Code 4	2	1	2	6	9	8	28	19.05%
Code 5	4	3	10	2	40	8	67	45.58%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	1	8.33	1	20	3	15	1	10	3	4	2	8	11
2	3	25	0	0	3	15	0	0	6	8	5	20	17
3	2	16.67	0	0	2	10	1	10	17	22.67	2	8	24
4	2	16.67	1	20	2	10	6	60	9	12	8	32	28
5	4	33.33	3	60	10	50	2	20	40	53.33	8	32	67
12			5	20			10		75		25		

**On** the question of how state audit can assure good governance the major response (45.58%) was that the audit of the current fiscal year may be conducted at any time without waiting for the financial year to close with suggestions for future corrective actions. 19.05% agreed that audit should be conducted immediately after the financial year closes and not waiting for years elapse. 16.33% believe that audit is conducted annually at the end of financial year and recommendations are based on the post facto expenditure only 11.56% believe that the reports should be discussed on the date following those are submitted to the parliament and 7.48% leaves this to

judgmental evaluation of the Auditor General to decides when and what to audit.

Among the respondent 33.33% of MPs, 60% C&AGs , 50% secretaries, 53.33% Audit team leaders and 32% Others believe that the state audit of the current fiscal year is conducted at any time and audit makes suggestions for future corrective actions.60% of DGs opined that audit should be conducted immediately after the financial year closes

Table XIV

## Response on quality assurance of audit reports

Q 14	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	1	0	1	0	3	0	5	3.40%
Code 2	1	1	0	2	4	3	11	7.48%
Code 3	3	1	2	1	3	4	14	9.52%
Code 4	2	2	10	4	14	8	40	27.21%
Code 5	5	1	7	3	51	10	77	52.38%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	1	8.33	0	0	1	5	0	0	3	4	0	0	5
2	1	8.33	1	20	0	0	2	20	4	5.33	3	12	11
3	3	25	1	20	2	10	1	10	3	4	4	16	14
4	2	16.67	2	40	10	50	4	40	14	18.67	8	32	40
5	5	41.67	1	20	7	35	3	30	51	68	10	40	77
12			5	20			10		75		25		

**On** the question of most effective way to utilise audit reports 52.38% respondents believe that it happens only when the audit reports are discussed in the parliament timely and acted upon accordingly. 27.21% respondents agree that effectiveness can be established if PAC reports are thoroughly discussed in the parliament to foster better policy making. 9.52% believe that audit reports should be shared with the media immediately those are submitted to the president to make their impact effective. 7.48% agree that PAC reports need to be provided to the media for their follow up on action on the decisions taken. 3.40% believe that effectiveness can be improved through discontinuation of clearing backlog and starting everything afresh.

Amongst the respondents 41.67% MPs, 20% C&AGs, 35% of Secretaries, 30% of DGs, 68% of Audit Team Leaders and 40% Others opined that effectiveness can be strengthened only when the audit reports are discussed timely and actions are taken on them immediately without keeping them for indefinitely. 40% of C&AGs, 50% of Secretaries, 40% of DGs and 32% of Others opined that the PAC proceedings on audit reports should be discussed in the parliamentary sessions to foster better policy making.

Table XV

## Response on priority issue of qualitative change in state audit

Q 15	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	0	0	0	0	2	4	6	4.08%
Code 2	2	0	3	2	9	0	16	10.88%
Code 3	2	2	4	3	31	8	50	34.01%
Code 4	5	2	10	4	13	4	38	25.85%
Code 5	3	1	3	1	20	9	37	25.17%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	Total
1	0	0	0	0	0	0	0	0	2	2.67	4	16	6
2	2	16.67	0	0	3	15	2	20	9	12	0	0	16
3	2	16.67	2	40	4	20	3	30	31	41.33	8	32	50
4	5	41.66	2	40	10	50	4	40	13	17.33	4	16	38
5	3	25	1	20	3	15	1	10	20	26.67	9	36	37
12			5	20			10		75		25		

**On** the question to find out what deserve immediate attention in state audit to ensure good governance the majority (34.01%) opined that significant number of skilled manpower in the directorates is needed. 25.87% agreed that timely issue of final version of audit reports at field level is required more. 25.17% agreed selective coverage of audit issues be given priority. 10.89% believe requirement of professional editorial staff at CAG office will improve the quality of audit reports. 4.08% agree that greater interaction with print and electronic media could be better helpful.

Amongst the participants 41.67% MPs, 40% C&AGs, 50% secretaries, 40% DGs preferred timely issue of final version of audit reports at field level; 40% of C&AGs, 30% of DGs, 41.33% of Audit team leaders and 32% of others agreed that significant number of skilled manpower in the directorates is required to make state audit more effective.

Table XVI  
Response on contents of state audit reports

Q. 16	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	3	0	4	1	6	4	18	12.24%
Code 2	0	1	1	0	4	0	6	4.08%
Code 3	2	0	3	1	8	7	21	14.29%
Code 4	3	1	5	7	22	11	49	33.33%
Code 5	4	3	7	1	35	3	53	36.05%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	3	25	0	0	4	20	1	10	6	8	4	16	18
2	0	0	1	20	1	5	0	0	4	5.33	0	0	6
3	2	16.67	0	0	3	15	1	10	8	10.66	7	28	21
4	3	25	1	20	5	25	7	70	22	29.33	11	44	49
5	4	33.33	3	60	7	35	1	10	35	46.67	3	12	53
12			5	20			10		75		25		

**On** the question of helpful contents of state audit reports for good governance major response (36.05%) was in favour of inclusion of comparative review of achievement of national objective in the report.. 33.33% response was in favour of inclusion of recommendation on

mitigating deficiencies of management.14.29% respondents viewed that comment on reasons for misuse of public fund should be made;.12.24% response was that graphical presentation with comments following best practices of developed SAIs can depict status of governance and 4.085 opined on retaining observation on financial irregularities only in the report. 33% of MP, 60% of C&AG 35% of secretary and 46.67% of Audit team Leaders supported inclusion of comparative review of achievement of national objective. While 70% of DGs and 44% of Others agreed inclusion of recommendation on mitigating deficiencies of management. None of MPs,DGs and Others prioritized inclusion of observation on financial irregularities only.

Table XVII

## Response on connectivity developing yardstick

Q. 17	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	2	0	3	3	5	1	14	9.52%
Code 2	1	1	0	0	11	1	14	9.52%
Code 3	1	1	2	0	2	3	9	6.12%
Code 4	5	2	8	3	15	13	46	31.29%
Code 5	3	1	7	4	42	7	64	43.54%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	2	16.67	0	0	3	15	3	30	5	6.67	1	4	14
2	1	8.33	1	20	0	0	0	0	11	14.67	1	4	14
3	1	8.33	1	20	2	10	0	0	2	2.66	3	12	9
4	5	41.67	2	40	8	40	3	30	15	20	13	52	46
5	3	25	1	20	7	35	4	40	42	56	7	28	64
12			5	20			10		75		25		

**On** identifying what constitutes connectivity between state audit and good governance in terms of accountability, major response (43.54%) was that when both auditor and auditee agree that audit plays a catalyst role for better governance highlighting deviations connectivity between the two grows. 31.29% agree that both auditor and auditees are accountable for their performance as both of them work for effective financial management of limited resources 9.52% agree that s when spending authorities respond to audit query within specified time limit and auditors rise above their personal interest and remain focused on audit objective, the connectivity improves and 6.12% agree that connectivity is better knot when Auditees accept audit as a tool for better management action. 41.67% MP and 20% of C&AG ,35% of secretaries,40% of DGs and 56% of Audit team leaders agree Both auditor and auditee agree that audit plays a catalyst role for better governance highlighting deviations. 41.67% of MP, 40% of C&AG, 40% of secretaries, 52% of Others agree that both auditor and auditees are

accountable for their performance as both of them work for effective financial management of limited resources.

Table XVIII

## Response on distinct characteristics of Audit and Accounts

Q. 18	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	2	1	8	2	9	1	23	15.65%
Code 2	4	1	3	6	42	9	65	44.22%
Code 3	0	0	0	0	5	1	6	4.08%
Code 4	2	1	0	2	4	6	15	10.20%
Code 5	4	2	9	0	15	8	38	25.85%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	2	16.67	1	20	8	40	2	20	9	12	1	4	23
2	4	33.33	1	20	3	15	6	60	42	56	9	36	65
3	0	0	0	0	0	0	0	0	5	6.67	1	4	6
4	2	16.67	1	20	0	0	2	20	4	5.33	6	24	15
5	4	33.33	2	40	9	45	0	0	15	20	8	32	38
12			5	20			10		75		25		

**On** the question of retaining distinct character of Audit and Accounts cadre major response (44.22%) was that better governance means conglomeration of competent personnel in both audit and accounts. 25.85% of respondents viewed that Audit and Accounts should remain distinct as these are two separate discipline in financial management. 15.65% of respondents believe



that compartmentalization will not yield better result as modern financial management, unless there is professional acumen .10.20% respondents believe that in countries with commendable audit reputations, separation or no separation audit plays the helping role in governance process. 4.08% believe that better governance means conglomeration of competent personnel in both audit and accounts 33.33% of MP, 40% of C&AG, 45% of secretaries, and 32% of Others believe that audit and accounts are two separate disciplines in financial management and should remain distinct. 60% of DGs and 52% of Audit team leaders and 36% of Others, 45% of secretaries believe that better governance means conglomeration of competent personnel in both audit and accounts. 40% believe compartmentalization will not yield better result in modern financial management, unless there is professional acumen.

Table XIX

## Response on restricting office of C&amp;AG and its command

Q. 19	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	2	0	2	0	2	2	8	5.44%
Code 2	4	3	4	1	35	4	51	34.69%
Code 3	0	0	0	2	5	4	11	7.48%
Code 4	3	1	6	0	10	2	22	14.97%
Code 5	3	1	8	7	23	13	55	37.41%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	2	16.67	0	0	2	10	0	0	2	2.67	2	8	8
2	4	33.33	3	60	4	20	1	10	35	46.66	4	16	51
3	0	0	0	0	0	0	2	20	5	6.67	4	16	11
4	3	25	1	20	6	30	0	0	10	13.33	2	8	22
5	3	25	1	20	8	40	7	70	23	30.67	13	52	55
12			5	20			10		75		25		

**On** the question of restructuring the office of the C&AG for better audit management major response (37.41%) was to strengthening performance audit directorate into a meaningful governance directorate. 34.69% agreed that a major structural re adjustment of the CAG office will allow it to work free from all political pressure. 14.97% respondents viewed creating separate audit directorates for major spending ministries 7.48% respondents agreed that realigning the units of audit directorates will help avoid dual audit of the same unit by different directorates at a time. 5.44% respondents viewed creating separate directorate for receipt audit will help C&AG play better role in the governance process. 25% of MPs, 20% of C&AGs, 70% of DGs, 30.57% of Audit team leaders and 52% of Others respondents agree that strengthening performance audit directorate into a meaningful governance directorate will be a helpful structural adjustment. 60% of C&AGs agree that a major structural re adjustment of the CAG office will allow it to work free from all political pressure.

Table XX

## Response on empowering C&amp;AG with legal authority

Q. 20	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	1	0	2	1	4	2	10	6.80%
Code 2	1	0	0	0	5	3	9	6.12%
Code 3	3	2	3	1	35	4	48	32.65%
Code 4	2	1	9	5	25	6	48	32.65%
Code 5	5	2	6	3	6	10	32	21.77%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	1	8.33	0	0	2	10	1	10	4	5.33	2	8	10
2	1	8.33	0	0	0	0	0	0	5	6.67	3	12	9
3	3	25	2	40	3	15	1	10	35	46.67	4	16	48
4	2	16.67	1	20	9	45	5	50	25	33.33	6	24	48
5	5	41.67	2	40	6	30	3	30	6	8	10	40	32
12			5	20			10		75		25		

**On** the view to empower the office of the Auditor General through providing additional power in line with the developed SAIs, the major response(32.65) was in favour of embodiment of judicial power in an Audit Act like those of Napoleonic SAIs Court of Audit .Equal response (32.65%)was in favour of development of strategic plans carefully and strict implementation of those to reality. 21.77% supported formation of an advisory board comprising of academics, members of professional bodies and experts to assist Auditor General.6.80% respondents believed provision

for recognition of best performer personally and monetarily 6.12% supported access of CAG or his designated officers to media even before the reports are tabled in the parliament 25% of MPs, 40% of C&AGs, 45% of secretaries, 50% of DGs opined in favour of careful development of strategic plans and strict adherence to those plans; 41.67% of MPs, 40% of C&AGs, 30% of secretaries, 30% of DGs and 40% of Others agreed formation of an advisory board comprising of academics, members of professional bodies and experts to assist Auditor General in making his office effective for good governance. 46.67% of Audit team leaders agreed Embodiment of judicial power in the Audit Act like those of Napoleonic SAIs Court of Audit.

Table XXI  
Response on creating audit awareness

Q. 21	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	1	0	2	2	6	1	12	8.16%
Code 2	1	0	3	0	22	3	29	19.73%
Code 3	1	2	2	3	6	3	17	11.56%
Code 4	2	2	8	1	9	7	29	19.73%
Code 5	7	1	5	4	32	11	60	40.82%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	1	8.33	0	0	2	10	2	20	6	8	1	4	12
2	1	8.33	0	0	3	15	0	0	22	29.33	3	12	29
3	1	8.33	2	40	2	10	3	30	6	8	3	12	17
4	2	16.67	2	40	8	40	1	10	9	12	7	28	29
5	7	58.33	1	20	5	25	4	40	32	42.67	11	44	60
12			5	20			10		75		25		

**On** broadening the area of audit from its traditional stance of after audit report preparation, the major response (40.82%) was in favour of arranging regular briefing sessions for parliamentarians at CAGs initiative. 19.73% favoured initiating discussion with secretaries at the primary level when audit objections are raised rather than waiting for discussion at the time of final preparation of audit report; equally 19.73% agreed to take help of IMED to accept their evaluation and assessment before extensive planning; 11.56% agreed arranging interactive sessions on regular basis with other oversight agencies like DUDAK and 6.16% agreed involving journalists from reputed news papers for editorial task of CAG report. 40% DGs 42.67% Audit team leaders and 44% Others opined in favour of arranging regular briefing sessions for parliamentarians at CAGs initiative; 40% of C&AGs, 40% of Secretaries and 28% of Others agreed to initiating discussion with secretaries at the primary level of audit objections raised; 4

0% of C&AGs and 30% of DGs agreed to arranging interactive sessions on regular basis with other oversight agencies like DUDAK.

Table XXII  
Response in bringing change in the audit culture

Q. 22	MP	C&AG	S	DG	ATL	OTH	Total	%
Code 1	1	0	0	1	14	2	18	12.24%
Code 2	1	1	0	1	12	5	20	13.61%
Code 3	3	2	2	1	10	6	24	16.33%
Code 4	5	1	5	2	8	7	28	19.05%
Code 5	2	1	13	5	31	5	57	38.78%
Total	12	5	20	10	75	25	147	

Code	MP	%	C&AG	%	Secy	%	DG	%	ATL	%	OTH	%	total
1	1	8.33	0	0	0	0	1	10	14	18.67	2	8	18
2	1	8.33	1	20	0	0	1	10	12	16	5	20	20
3	3	25	2	40	2	10	1	10	10	13.34	6	24	24
4	5	41.67	1	20	5	25	2	20	8	10.66	7	28	28
5	2	16.67	1	20	13	65	5	50	31	41.33	5	20	57
12			5	20			10		75		25		

To make state audit a tool for good governance noticeable change is required in SAI. The majority response(38.78%) were of the opinion that no significant performance or result based audit is conducted by the CAG office;19.05% agreed that it is more required because quantity prevails over quality nullifying the objective of audit as aid to governance;16.33% agreed that Parliament is not adequately provided with relevant information for

policy changes by the present format of audit reports; 13.61% agreed that the traditional regulatory audit concentrates more on petty issues than bigger picture of irregularities and 12.24% agreed that stringent relationship prevails between auditor and auditee creating an environment of non cooperation 16.76% of MPs, 20% C&AGs, 65% Secretaries, 50% DGs and 41.33% team leaders and 20% others believe that no significant performance or result based audit is conducted by the CAG office; 41.67% MPs ,20% C&AGs 25% Secretaries, 20% DGs 28% Others agree that quantity prevails over quality nullifying the objective of audit as aid to governance 25% MPs and 40% C&AGs and 24% others agree that Parliament is not adequately provided with relevant information for policy changes by the present format of audit reports

### **6.3 Analysis based on secondary data**

The impact of state audit on governance is manifested by the actions of those stakeholders for whom state audit reports are prepared. Denial to attend to the findings of state audit in any form, such as not responding to audit objections and observations in time; not agreeing to the conclusions of the audit reports and leaving them unattended for indefinite period and perpetuating the offence at the same time; not discussing them in the parliament for years and so on nullifies the applicability and acceptability of the state audit itself.

By way of reference the volume of audit reports submitted to the Parliament upto 2014 since independence are 26 Performance audit reports, 18 Issue based audit reports, 151 Special audit reports, 800 Annual audit reports Total being 995 in number.

Number of outstanding audit objections across the ministries till 30. 6. 2014 stands at 8, 53,314 in number involving an amount of Tk. 6,15,606.36 crore .

A popular saying, 'justice delayed is justice denied' is echoed when audit reports of one financial year takes indefinite time to be discussed by Public Accounts Committees for reasons seldom recorded for such delays. Though there are records of holding regular meetings by PA committees (though sometimes it took months to form the committee) save during martial law



when financial discipline falls apart, there are examples of audit objections remaining unattended for 10 to 41 years, (**Annexure D**).

The trend in dealing with audit objections of the last decade of last century did not change even in the beginning of 1<sup>st</sup> decade of this century. From the time taken in bringing audit objections on board it appears that objections loose their authoritative impact with the lapse of time and the auditee loses interest in responding to these when it takes such a long gap of time. So is the case with assigning accountability of those responsible for misdeeds. For example 1st report of the 7<sup>th</sup> PAC bears testimony to the fact that audit reports relating to the 1987-88 of Works, T&T ministries were discussed in 1997. 2<sup>nd</sup> and 3<sup>rd</sup> reports of the 7th parliament has reference of discussion of 16 to 24 years old audit reports of Agriculture and Food ministries There are examples in the 3<sup>rd</sup> report of the 9<sup>th</sup> PAC about discussion of audit reports of Cultural ministry dating back to 1971. There are more examples of special audit reports prepared in 1978, other than normal, discussed after elapse of 16 years (9<sup>th</sup> PAC in 2012 reports). There are instances where auditee died long before the objections pertaining to him or his organisation are tabled for discussion. This tendency of keeping audit reports not discussed for long time jeopardizes the very purpose of conducting such audit and contribution of state audit to good governance.

Additionally, delay in responding to audit objections, ignorance of auditees in responding to the audit objections, reluctance to submit relevant documents asked by auditor; improper scrutiny of replies and responses by the field level units at the ministry level lead to inclusion of many petty and on the spot disposable objections in the audit reports. When those come to PAC for discussion concerned parties suddenly become conscious of their ignorance (7<sup>th</sup> PAC meeting 5<sup>th</sup> report, 2001 July, p.63). But as time flies away so also the onus of responsibility shifts from one executive to another. None in the end can be brought to books.

The reason for such recalcitrant attitude is founded in the very fabric of audit weave as it could not make its net felt by all concerned. There is a great lack in understanding that audit covers everything from birth to grave, from first entering in the job till the last day on this earth.

The audit report submitted by C&AG and audit reports selected for discussion by PAC are not contemporary in nature and time. PAC has so many outstanding reports and observations still to resolve. At the same time C&AG does not have significant professional manpower to conduct contemporary or up to date financial or performance audit. The tasks have become 'routine' by nature. This jeopardy of mismatch nullifies the purpose of providing assurance and acceptability of state audit to the stakeholders.

The contents and quality of audit reports are not often appreciated by the Parliamentarians. Inappropriate style and format with insufficient evidence draws negative response from the stakeholders. The ignorance shown at all level (from field to the ministry) of response on audit observations often rests on a psychological blockade influenced by untoward intentions. Collectively improvements of the system of state audit in contents and quality, management and monitoring, and timely action and awareness of the auditee including rational use of audit findings by the Parliament, can augment the effectiveness of state audit.

Found in the Parliamentary Accounts Committee reports are innumerable examples that give ideas why state audit cannot play its role in the governance process. There are comments on contents, quantity, timeliness and auditee's responses on the audit reports which are tenable (**Annexure E**)

The members of PAC concerned about the role of state audit for good governance often raise questions about the quality and contents of audit reports. For example members of 7<sup>th</sup> PAC raised question in certain cases on the clarity of the objections raised by C&AG auditors. The committee even expressed their dissatisfaction for discussing so old audit objections. They rather agreed that situation could be improved if the discussion on audit objections were confined within 18 to 24 months old period (7<sup>th</sup> PAC 2<sup>nd</sup>

Report). On the contents of the reports, the parliamentarians commented to have been ‘doing post mortem not immediately after death rather after digging the corpses out of the graveyard’ signifying meaninglessness of state audit reports (7<sup>th</sup> PAC 2<sup>nd</sup> report).

About the ignorance shown by the Secretaries in not responding to the audit objections in time, the committee commented that if audit reports were responded by the secretaries on due time many objections could be avoided or settled on the spot. Rather committee could better invest their time on more pertinent issues( 8<sup>th</sup> PAC 1<sup>st</sup> report)

As the accountability falls with the secretaries for execution of national programmes PAC members commented while discussing audit reports that, “Secretaries talk much about good governance and transparency but they do not pay any attention to the PAC and C&AG’s dictates or recommendations ‘(7th parliament 3rd report). On the same issue in the 9th PAC 3rd report the members commented about the willful disregard of the executive authorities to audit findings thereby not strengthening governance.

**A follow up case study showing how the state audit objection discussed and recommended by PAC remain ignored at the auditee level.**

### Case study 1

C&AG's Annual Audit Report (Paragraph no 3)	Reporting year:1999-2000	Ministry; Water resources ministry	Department: Bangladesh Water Development Board
Audit directorate: Foreign aided project audit directorate	Audit conducted : 22-09-2000 TO 05.10.2000		
Heading : Financial loss incurred on account of CDST ( Customs duty and sales tax) amounting to Tk. 17,31,86,626 due to violation of contract clause for payment on re exportable items			
Location of the unit- Sirajgonj town protection embankment ( 3 <sup>rd</sup> phase), Sirajgonj			
PAC discussion 21.oct. 2010 (42 <sup>nd</sup> Meeting)		Follow up meeting : 16th May 2011	
Audit observation: Audit of embankment protection project under the IDA agreement no. 2791/BD was conducted from 22.09.2000 to 5.10 2000 for the financial year 1999-2000. While examining the IPC (Internal payment Certificate) of the contractor M/S Hyndai –Jan de JV ,it was found that the firm was reimbursed an amount of Tk. 21,50,51,673.80 for import of re exportable items. According to contract no B-2, Vol 2 ,provision 73.8 after the completion of the project, the amount reimbursed earlier for purchase of re exportable items, is to be deposited to project account. But the contractor did not deposit Tk.17,31,86,625.87 even though it has handed over the project to the authority after its completion.			
Response of the project authority	The project authority pays the customs duty for the purchase of all re exportable items first. Later the money is reimbursed. For river embankment project an amount of Tk21, 51, 58,673.80 was reimbursed. According to the clause 73.4 of the contract, items can be re exported after		

	<p>the closure of the after the closure of the project.</p> <p>As per “The Customs Act 1969’in case of re exportable items there is “Rate of Draw-back.” In it the rate of draw back amount is mentioned as against ‘period of use’ According to that law on the basis of use of the materials draw backs have been set as 7/8<sup>th</sup>.3/4<sup>th</sup>,5/8<sup>th</sup>, 1/4<sup>th</sup> and in some cases it is nil. Accordingly based on The customs Act 1969 the drawback amount payable against re exportable item stands at Tk 4,18,65,047.03.</p>
PAC Decision on 21.10 2010	The entire amount has to be deposited by the contractor and reported to the Committee through C&AG within 30 days
Follow up of PAC on 16.05.2011	The response of the auditee is ,’As per PAC decision the contractor has been requested to deposit the money in the account of Water Development Board vide letter no 19/BWD/ secretary/Wst Region/section 1 dated 11-01-2011.A reminder was issued again on 5.5.2011
Decision of PA Committee on 16.5.2011	Acknowledgement of receipt of the whole amount from the contractor is to be reported to the committee at the most within 15 days .

In this case audit was conducted in the year 2000. First discussion on the objection was held by PAC in October 2010 almost after an elapse of 10 years; follow up meeting was held by PAC in May 2011;Till January 2015 no positive response was found on the issue indicating a lack of sense of accountability and the procedures to ensure that.

It appears clearly that the objections raised by audit do not often get the required attention of auditee either in getting things corrected or making positive response in time.

Sometimes question is also raised on the clarity of language and contents of audit reports. This further means that the reports are not well prepared to have drawn the attention of auditee. It is still limping to create a sense of awareness among those sitting at the height of financial management. The reason for which the committee members even detest dissecting the corpse long after it has been buried. The possibility of bringing out those accountable withers away. The effectiveness of audit also melts. Acceptability of such reports and their effectiveness becomes questionable for which the PA Committee members challenge the transparency of the current system of state audit and governance process.

In their recommendation on the status of audit the First PA committee reported that even after initial audit and final publication of reports the ministries takes months to respond to those and remain 'silent'. But an objection pass three stages (advance paragraph, draft paragraph and reminder through DO letters) to get its place in the audit report of the C&AG. It has been found that it takes less time to finalise performance audit reports than annual financial audit reports. One obvious reason for such quick action

is that this type of audit is mostly conducted by cadre officials and less time is consumed to assure quality of the reports.

In the 2nd report of the PAC meetings of 7<sup>th</sup> Parliament it is reported that there are instances of more than 12 years of delay in taking preliminary steps on audit objections by the ministries (2<sup>nd</sup> PAC report, p.19)

From the study of some audit reports discussed in PAC and the relevance of the period they pertain to, it becomes apparent that the observations in those reports were related to a period of time from 6 to 41 years older (Annexure-D, Table XXIII,p.248). Even some objections discussed were related to pre independence period. The audit report submitted by C&AG and audit reports selected for discussion by PAC are not contemporary in nature and time. PAC has so many outstanding reports and observations still to resolve. At the same time C&AG does not have significant professional manpower to conduct contemporary or up to date financial or performance audit. The tasks have become 'routine' by nature. This jeopardy of mismatch nullifies the purpose of providing assurance and acceptability of state audit to the stakeholders.

In spite of the fact that audit observations are brought to the notice of the Secretary, the designated Principal Accounting Officer, and reminders are issued by audit, the audit objections remain unattended. Though the volume



of amount involved in those objections are significant enough to raise voice against poor management of public fund.

Despite huge amount of money involved against audit objections non response by the auditee speaks of the way how seriously the audit findings are considered by the auditee. (Annexure E, Table XXIV&XXV, p.250 &252) Usually an objection raised in one year followed through the process for a number of years (though the stipulated time 90 days for normal audit and 60 days for special audit) gets its place finally in the book for non response.

The reason for such amount of negligence requires further study. Audit reports pertaining to one year, say 2006-07, containing objections relating to 2004-07, approved by C&AG in 2010 speaks of the sizeable time gap in the process of report finalization (Annexure E, Table XXVI,p. 253)This time gap is caused by many factors like inappropriate quality assurance, too many outstanding reports of directorates , busy schedule of C&AG the final approving authority are a few to mention.

In spite of the fact that audit observations are brought to the notice of the Secretary, the designated Principal Accounting Officer, and reminders are issued by audit, but the audit objections remain unattended. But examples show ( Table XXVII) that the volumes of amount involved with those

objections are not always insignificant to draw attention for better management of fund and accountability.

Audit reports prepared by the directorates and certified by C&AG shows a sizable time gap in the process of audit report finalization too. It is notable that it takes less time to finalise performance audit reports ( Annexure E, Table XXVI, p.253 ) than annual financial audit reports. One obvious reason for such performance is that this type of audit is mostly conducted by cadre officials and less time is consumed to assure quality of the reports.

It is observed from some reports that there are examples where objections are repeated over years. Only the amounts involve differ ( Annexure E, Table XXVII, p. 254) But they remain unattended by the auditee. Closer observation reveals that the amount usually inflates each year on those typical observations. Audit repeats the objections, auditee ignores. Auitee neither uses the observation in setting preference and priority for future decision making. The objective of audit helping better achievement of goals falls to the sideline.

In a case study Chowdhury (2007) has shown that the normal repetitive audit objections against Bangladesh Water Development Board shown in C&AG's report since 1972 to 2001 covered 27 times 'theft from stores', 28 times 'shortage in store, 55 times 'Non receipt of irrigation tax', 19 times

‘cement drying up’, 4 times ‘Overpayment’, 11 times ‘fraud’, 41 times ‘payment beyond budget provision’. It transpires from such study that indicative directions of audit findings can become invaluable tools for governance if they are timely attended by the auditee.

Same nature of financial mal practices are followed by a number of entities over the years, in spite of the fact that audit makes them aware time and again. The reasons for such type of recalcitrant attitude by the auditee stem from the idea that ‘state audit can bark but not bite’<sup>41</sup>. Three such examples are cited below:

#### Case 1(A)

Annual audit report: 2000-2001

Entity: Ministry of Communication

Unit: Office of the Executive Engineer (Roads & Highways) Road Division, Barisal

Dates when audit conducted: 4.2.2002- 12.2.2002

Caption: An amount of Tk 13,02,94,984 paid for the bills with fake advertisement pasted in the newspaper

Description: While auditing the records of 2000-2001 financial year in the office of the Executive Engineer Roads & Highways division Barisal, it was shown that as against tender notifications number 23/BRD/2000-2001 to 44/BRD/2001 A notification was published in the ‘Jugantor’ the daily

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<sup>41</sup> Comments of an academician

newspaper on 4.5.2001, among others, notification no 31/BRD was published in the 3<sup>rd</sup> page of Daily Shongbad on 23.4.2001 and notification no 39/BRD and 40/BRD was published in the 3<sup>rd</sup> page of ‘The New Nation’ on 5.5.2001

While examining the original news paper published on those dates it was found that the advertisement was shown to have been published only in one copy among thousands of copies published on that date. Further enquiry revealed that the so called advertisements were pasted on the newspaper deleting some genuine advertisement of some other organization. Copy of the news paper so innovated was supplied with the bills. It is evident that the through malafide mutual arrangement such copies were made in gross violation of the CPW code and the payment was made fraudulently.

It was also unearthed by state audit that the comparative statement prepared for this purpose was signed by no other members but the Executive Engineer himself.

Audit opined that disciplinary action should be taken against those who committed these misdeeds and amount should be recovered.

Local authority replied that the audit observation would be responded later after examination of the files. Due to unsatisfactory reply the observation got its place finally in the annual audit report.

In the 2<sup>nd</sup> meeting of the PAC of 8<sup>th</sup> Parliament the audit objection was

discussed in detail and it was decided by the committee that within 90 days the objection was to be resolved. It was suggested to find out whether the Divisional Engineer (officer above of Executive Engineer) in charge was alive or not and at the same time the Ministry should form an enquiry committee and report the results to the PAC.

The Committee subsequently met on different dates on 30.12.2003, 16.10.2003 and 19.7.2003 and later formed a subcommittee to resolve the issue.

In this particular case a petition review committee of the PAC found the Executive Engineer guilty and suggested sacking the offender. However information about the recovery of the money could not be found out.

## Case 2

C&AG Audit Report 2002-2003

Entity: Ministry of Power, Energy and Mineral Resources

Unit audited: Purchase & Stores Management Directorate, Dhaka

Dates when audit conducted: 29.4.2002 to 7.5.2002

Caption: Irregular payment of Tk 3, 15, 46,195 against bills submitted with copies of daily newspapers with fake advertisement superimposed..

Description: Supply of 260 amp MCCB underground cable, 5 spool work rack, Cram pit, repairing sleeve, rabbit and mid span joint, 11 kv disk, insulator fittings, and 33 kv and 11 kv insulator supply

In the tender evaluation report for the above mentioned items supplied by the contractors, local authority stated that the tender notification inviting quotation for supply of those items was published in the daily 'The New Nation' on 3.10.1998, 4.2.1999 and 13.2.1999 and in the 'Daily Rupali' on 7.2.1999. But on examination of the original news papers of those dates no such advertisement could be found in any copy of the circulated dailies except the one supplied with the evaluation report.. Rather the copies of advertisement shown in the newspapers attached to the bills were fraudulently prepared and pasted on them.

The contractor was paid in full for the bill submitted with the copies of newspapers with fake advertisement artificially pasted on them.

Audit opined that those who are responsible for those fraudulent payment and gang mischief should be brought to task and amount should be recovered.

## Case 3.

Annual audit report: 2006-2007

Entity: Ministry of Communication

Executive engineer (Roads & Highways), Road circle, Dhaka

Dates when audit conducted: 4.6.2006 – 18.6. 2008

Caption: By accepting and approving nonexistent advertisement in daily newspaper serious financial irregularity has been committed for an amount of Tk 17, 49, 82,926.

**Description:**

Audit of 5 tender notification mentioned in the comparative statement and newspaper clipping attached with them have been carried out. The newspaper clippings were false and fake. As per comparative statement advertisements have been published for 162 packages of work. Audit team was supplied with papers for 47 packages. Based on false advertisements shown published in the daily newspapers an amount of Tk 17, 49, 82,926 was approved by the auditee unit.

As a tip of the iceberg, out of 47 packages examined it was found by audit that an amount of Tk.62, 97,411 has been falsely approved. Because the advertisement were not published in the regular/ original newspapers, rather falsely pasted on some copies, and were attached to the comparative statements.

Audit opined that as per PPR /03no advertisement was published in the daily news papers; clips attached to the comparative statements were false and artificially pasted. These were false copies of advertisement superimposed on a single copy of a particular page of a newspaper No other original copy of the newspaper under circulation on those dates bears testimony of publication of such advertisement.

Notice of the secretary was brought on 19.9.2008 and 20.11.2008. No satisfactory reply was received from that end.

The objection was discussed in the 62<sup>nd</sup> meeting of PAC of the 9<sup>th</sup> parliament

The committee castigated the ministry for not taking immediate steps in spite of repeated reminder of state audit. It further opined that as per PDR Act 1913 the amount should be recovered from the defaulters and deposited to government account. Committee also asked the secretary to ensure that no such incidence happens in the roads and highways division any more. It asked the ministry to examine whether the works have been actually done and send a report to the committee through C&AG

The last case cited shows some positive improvement in the activities of the PAC. However it is also revealed that raising objections repetitively of such grave nature over years cannot create any impact on the respondents. In spite



of the fact that audit observations are brought to the notice of the Secretary (the designated Principal Accounting Officer), and reminders are issued about audit observations, the findings and reporting on them remain unattended for a very long period. This attitude indicates a status of weak governance. The situation requires a legal framework for its improvement.

## **Chapter 7**

### **Summary of Findings**

Concern for good governance has been reigning for quite some time in the contemporary history of financial discipline. This is happening particularly at a time when big scams in the public sector similar to those in the private sector are becoming conspicuously agonizing, globally and nationally. Reason assigned for those are weak governance. As such examining the role of State Audit that deals with public sector expenditure incurred to raise the status of the populace, requires a meticulous study. This is particularly needed to ascertain the interdependence between State Audit and Good Governance and to find out that state audit acts as an aid to good governance.

To gather qualitative data for this research, in-depth interview was carried out. The interviewees have been chosen on the basis of their long experience and association with state audit and governance. To gather qualitative data both open ended and structured questionnaire have been used. The respondents are the Parliamentarians, former and current Auditor Generals, Secretaries to the Government, Director Generals of Audit Directorates, Audit team leaders and Academicians, national and international Consultants working in the reform projects of state audit, former Advisers to the care

taker governments, member of International donor agency, members of Professional bodies. This later group has been commonly bracketed as 'Others' for this research. As the number of Audit team leaders are relatively larger and more experienced in the field audit, their opinion were collected mostly through the structured questionnaire

Besides, Public Accounts Committee meeting proceedings, general activity and annual audit reports of the Comptroller and Auditor General and audit process in practice has been studied to substantiate the quality of data gathered. The researcher's long experience in the state audit and accounts also helped crystallize the opinions.

The members of PAC, former and present Comptroller & Auditor General, Principal Accounting Officers, others and members of Audit team all have more similarities than dissimilarities in their opinions on accepting state audit as an aid to good governance. On all factors of audit and governance model <sup>42</sup> developed by the researcher the respondents had agreed connectivity between the two. For the convenience of collecting comments and information the parameters characterized in the model have been translated into detailed questionnaires. It transpired from the responses that the state audit for good governance follows a chronological sequence.

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<sup>42</sup> For Audit the factors are Assurance, Applicability, Acceptability, Effectiveness: For Governance the factors are Awareness, preference, execution and Accountability,

**Audit and state audit**

Historically state audit emerged as a discipline to strengthen governance by adding credibility to information. Relevant and reliable information provided in the audit reports reveal the status of governance as good, bad or weak. But if discussions of state audit reports takes years, its usefulness becomes redundant for decision making and audit findings become useless.

Objective of state audit is to assist the executives cure themselves from the psychosis of misuse of public fund and help advancement of the society. It is as such termed as assurance service in the advanced world. Audit can help develop a regulatory frame work stipulating, rules and regulations and ensure their application that can help government to realize the expectation of the citizen enshrined in the Constitution or pledges made by the political leaders. Good governance addresses expectation of the people.

**The connectivity**

About the perception of governance in the context of state audit, it warrants transparency and accountability of a state's financial operations. It means free flow of information. Governance in an responsive state cannot be conceived of without state audit. Quality of governance depends completely on the quality of management of public resources. Governance, therefore, means following the state of the art audit.

### **Status of present audit**

Present format of state audit as being practiced in Bangladesh is basically inspection save physical, by character. C&AG have named the initial reports issued at the field level as Audit Inspection Report. It is traditional by nature.

Currently dictates of audit findings are not complied by the executives. One such reason for negligence is too much interference of parliamentarians. They influence tender process, encourages escalation of budget estimates and even transfer and posting of bureaucrats are also sometimes dependent on their wishes as told by the bureaucrats.

Society's acceptability of the existence of state audit can be set only through the assurance service it renders. 'Eye wash audit' is meaningless. Mechanical discharge of audit is heartless.<sup>43</sup> It should be a helpful guide. If weak audit system is conducted the effective response can not be expected .

Current practice of state audit highlights petty objections which are repeated very often. But state audit should concentrate more on development expenditure than on petty revenue expenses; more on roads and works expenditure than on TA bills and Pay and Allowances as these can be recovered from employees if they are over drawn while others cannot be.

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<sup>43</sup> Quoted from a parliamentarian's saying

Issues like objections on payment for death of an employee or its spouse can be resolved at the ministry level rather than to be brought to the parliament.

The age old techniques introduced by pre partition and pre independence period are still being followed which cannot come up with the ways the irregularities remain unearthed.

The state audit must be freed of its deficiencies to make it an effective tool for ensuring establishment of accountability. Identification of gaps is essential.

Of the many deficiencies which poses impediments to its effectiveness as a tool for establishing good governance, the organizational structure and power of Comptroller and Auditor General need immediate attention to be readjusted. PAC reposes with the amount recovered as against audit objections and not acting as a proactive restrainer.

State audit should not be confined to finding misappropriation only. Issue based audit on wastage, misuse, wrong planning in allocation of resources, asset coverage, and management audit need to be initiated. Level of state audit should be raised to such a height when fear of state audit will work as a deterrent to misdeeds. Though there is a controversy over this policing role of state audit , but to straighten the things enormously gone wrong, such attitude has some good base to think and work with.

### **Ethics in State Audit**

It is said that the problem lies with the person who holds the money and not what he holds. It is the human behavior which dictates the ethical norms basically person who is handling the money is important. Likewise in state audit the person who conducts audits is more important than how he conducts. Allegations against state audit for losing its characteristics of ethical sanctity is largely gaining importance in recent times. Reason for delay in project implementation or escalation of costs is not identified by audit willfully rippled by bribery. The persons responsible for misdeeds are not identified. Ethics in audit is missing

Honesty, integrality of the state auditors needs to be established through ethical awareness development campaign. It is the socio economic mindset that dictates the sense of ethics. Hence it needs to be strengthened emphasizing social responsibility of those connected with governance.

Environmental change is to be initiated by recruiting qualification with professional professionals for the purpose. There are opinion in favour of holding separate professional examination for audit and accounts, instead of keeping both of them together under one service nomenclature. Qualitative change can be brought through professionals and not by non professionals.

### **Application and effectiveness of state audit**

Serious conflict between conduct of audit and applicability of its outcome prevails as there is lack in enforceability of the product of this quasi judicial institution. It has status inconsistency. Like tax authority imposing penalty measures against the defaulters, judicial power should also be given to C&AG to adjudicate persons at fault.

### **Authority of C&AG of Bangladesh**

Transparency and accountability in a government's financial operation needs independent and powerful state audit institution. Comptroller & Auditor General's office should be the key institution having a professional group of people who can identify lapses in financial management that leads to poor service delivery and practice of corruption resulting in weak governance.

Political intervention sometimes inappropriately influences State Audit to work independently. Lobbyist's pressure also mars the spirit of audit. Delay in response to state audit findings from initiation to final reporting indicate the recalcitrant but favoured attitude of the bureaucrats in attending to the irregularities committed for fear of opening Pandora's Box. Reason being too much political influence on administration Too much mobility of high officials, their relation with political in power influences their psyche not to respond to audit observations.



In allocation of national budget approved by the parliament, Comptroller & Auditor General if involved he can help prioritise the areas those need more attention, for C&AG may possess the audited information about the status of sectoral expenditure made up to a certain period of time. PAC can take advantage of the certified accounts of C&AG by placing them before the forthcoming budget sessions.

However, audit effectiveness is dependent on Auditor General's capacity to contribute. It was viewed by some quarter that the C&AG may be relieved of the constitutional obligation to keeping of accounts of the Republic. With the approval of PAC CAG may be given judicial power.

State Audit is the time tested way to ensure accountability, transparency and effectiveness of public expenditure which are the inseparable characteristics of good governance. To do so, the CAG should be provided with adequate logistics and man power to facilitate the performance of checking expenditure from public exchequer as well as ensuring the exchequer control. Unfortunately, Comptroller & Auditor General plays a role restricted by ministry as he has to depend on them for budget and manpower. Too much intervention retards governance.

### **SAI and Parliament relationship**

State Audit is different from other accountability agencies because its reports are discussed in the parliament which can hold the executives accountable. Audit assists parliament, suggest improvement in systems and help in result oriented work. The relationship between audit and parliament, therefore, has to be very close; audit should work hand in hand with the parliament and PAC. Every farthing spent by audit should result in saving of public money.

Questions are raised on the accountability of Principal Accounting Officers and Auditors as well. Auditor should be mindful of the actual objective of governance and auditee should accept the findings for their improvement. Presence of systems of reward or punishment based on the work done should be there in both sectors.

Any tendency of negativism prevalent among the parliamentarians in blaming each other for audit observation or objections raised during a certain regime is not helpful for good governance.

Performance of PAOs should also be evaluated through assessing the way they deal with audit. To bring linkage between audit and governance there

should be provision to implicate the PAOs for non compliance of PAC decision

Developing audit awareness has become a compulsory requirement. Parliamentary committees can create connectivity with audit. On enquiries of different sub committees C&AG audit reports and expertise of auditors can be very helpful eg, about railway slipper pilferage subcommittee can utilize C&AG resources

As per rules of procedure reports discussed in the parliament need to be institutionalized. Members of parliament need to be educated about rules and procedures and auditable issues. For training purpose countries in East African countries like Rawanda could be explored. Parliamentary proceedings of PAC may be telecasted regularly which would help develop public awareness about

Chairman of PAC should be a parliamentarian and not a bureaucrat turned politician. Former bureaucrat PA Chairmen might influence decision making and in this case conflict of interest becomes inevitable. There are examples in Bangladesh where a number of bureaucrat- turned politicians have been made chairmen of PAC.

### **Contributory role of audit**

Current practice of state audit is infested with lots of negativism. In the absence of knowledge about audit which is an universal obligation such misapprehension prevails. But state audit is the constitutionally authorized institute which can fix accountability of those who deal with public resource. It should possess moral standards to bark and bite as its purpose is to audit state deliverables. Power, prestige and image strengthen nuisance value of audit. It has a fear factor.

To retain this impartial nature of audit those who are recruited in this field should be some tested professionals. This will require a strong recruitment policy of the C&AG.

The status of audit in Bangladesh is that it is not an effective tool to provide the much needed checks and balances in expenditure control and revenue collection. CAG is independent in respect of conducting audit only. But he is seriously handicapped in the discharge of his obligation in view of lack of administrative and financial power and logistics.

Judicial provisions may be made to make it binding on the part of the auditee to accept the decisions of Public Accounts Committee. Alternately,

judicial committee can be formed to assign responsibility, impose penalty or reward appreciable performer.

In order to get qualified staff members with higher degree of integrity, the contract clause 'Buyers be aware' need to be remembered at the time of their recruitment process.

Policy audit, a transformational progress is encouraged by the stakeholders as there is popular demand both by the legislative members and the public at large to hear about all policy mismatches. This is particularly true when normal audit findings shows irregularities in implementation of the relevant policies. Deprivations of incumbents in VGD programme or collapse of buildings under Rajuk development plan or unauthorized grabbing of government fallow lands by the vested quarters are some issues, dealing with which may necessitate examination of the policies in this regard .There is a popular shift is there in developed SAIs to audit policy making process and identify a deeper source of lack of information on which the policies were formed and the expenditure wasted in collecting and analyzing the information .

## **Style of audit**

Sectoral approach may be initiated to form audit groups like .financial audit group, issue based audit group, service based audit group. Issue based audit group can be formed with members from different directorates to work on the same issue, like water logging prevention programme at a certain city where Works and Local Audit Directorates can work together. Service based audit team may be formed on development sectors like Health Audit Team, Agriculture Audit Team etc. These teams would requires members having professional qualifications. In addition the same audit team may be engaged from planning, execution to presentation of final reports to the parliament. This will enrich professionalism amongst the C&AG staff. All these effort will generate a sense of audit engineering with conglomeration of personnel from different disciplines.

Audit should be involved from preparation of estimate to final allocation of budget or a programme or entity. It should not e and not merely remains busy with current bills. Audit experts should be encouraged to identify cost covering contracts. It is proposed that system audit on certain sample organisations like PWD to be carried out whose cheque issuing authority should be done away with.

For awareness development the civil society's role in the process of governance need to be emphasized. Reference may be had from Mojdur Kisan Shakti Sangathan, Andhraprodesh India<sup>44</sup>.

The linkage between governance and state audit should be strengthened by way of vesting power of exchequer control with the Comptroller & Auditor General in view of the fact that compliance rate is unsatisfactory in respect of expenditure from public exchequer.

Prior consultancy with Auditor General should be made before preparation of the budget of the ministries. There should be representative of C&AG in resource finance committee.

As professionalism yield better result, by engaging journalist in the editorial board of C&AG reports can help improve style and contents of reports . It is also viewed that by engaging computer literate personnel the task of the posts of stenographers, clerks can gradually be discarded. C&A G should have the right to hire and fire.

There should always be discussion with Principal Accounting Officers in all stages of auditing from planning, examination to report writing .

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<sup>44</sup> An initiative by an Indian parliamentarian to find out if money meant for providing work under National Rural Employment Guarantee Act (NREGA) has been spent as it was meant to. MKSS is a network of farmers and workers and the Rozgar Evam Sochona ka Adhikar Abhiyan (Campaign for right to work and information) to partner the state's newly formed Directorate of Social Audit. 135 teams of social auditors went to 1000 villages in 381 panchayets in 12 days to find out how NREGA was being implemented. The example is quoted from 'Anatomy of Social Audit: A synoptic Review' In AGAOA journal

Compliance or regulatory audit should continue. However petty matters of financial irregularities should better be avoided. Emphasis should be given to detect defects in the financial management systems resulting in serious irregularities. Performance audit as has been initiated by C&AG is a step to the right direction. It should be expanded further and all large spending bodies like government department, statutory corporations, local authorities and autonomous bodies should be effectively brought under review of performance audit. Governance covers two aspects: value for money and priceless intrinsic weight, performance audit can help it gain both. Irregularities should be highlighted as well as non compliance or mis utilisation of resources should be questioned. Qualitative audit would mean combination of mathematical and personal aspect of transactions

Power is there in the constitution. The rules and regulation and mindset of the auditors need to be changed to conform to the evolving nature government and needs of 21<sup>st</sup> century

An appropriate framework need be established by which those responsible for public fund can assure the people that value for money has been established. Passing of supplementary budget is illogical without threadbare discussion of the C&AG's Finance and Appropriation account in the parliament.



## Chapter 8

### Recommendations and conclusion

Effecting good governance by the art of state audit has been reeling the SAI (Supreme Audit Institution) community for quite sometimes. But attempt to make connectivity between these two agencies based on individual features have seldom been carried out. Which features of state audit in particular, influences which characteristics of governance with reference to limited resource economy, are not enquired into. This researcher tried to find out the relationship in that context keeping C&AG Bangladesh at the fore. A model has been developed and tested accordingly. Based on the in depth interview of six group of personalities engaged in the task of audit and its development; documentary search of C&AG activities and audit reports , parliamentary proceedings over a number of years; texts and articles and finally findings on them , the recommendations are arranged.

The technological development and demand for more information are making it obligatory to look at state audit with a contributory role not posing a watch dog demeanor. But the limitation of skills of those engaged in the task and a tendency to stick to the older version of doing things creates a cultural lag.<sup>45</sup> Mind set has not been changed. For example, the staff level

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<sup>45</sup> By cultural lag we refer to a state of audit prevalent in Bangladesh where those who conduct audit are branded with many negativity like cheating ,bribe seeking ,corrupt prone dealing with traditional way of

acceptance of introducing performance is still negative. They consider it as a pursuit with intellectual dominance than practical applicability. The onus of initiating action for change, therefore, lies with the top level management. Performance audit as being introduced by C&AG in a limited scale is a step in the right direction. It should be expanded further to all fields of government spending including all large entities like government departments, statutory corporations, local authorities and autonomous bodies, state owned enterprises to help deter both auditor and auditee from the psychosis of mis-governance. State audit should be used for advancement of the society. Performance audit directorate may be turned into a governance directorate.

However, the Comptroller & Auditor General is not fully independent functionally. Sufficient independence of Comptroller & Auditor General is required to bring about a change in the audit culture He requires freedom from the control of Public Administration and Finance ministries. An Audit Act may help him carry his task with the freedom required.

The linkage between governance and state audit should be strengthened by way of vesting power of exchequer control with the Comptroller & Auditor General in view of the fact that compliance rate is unsatisfactory in respect

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doing things with less concern to get involved in the improvement of governance process with the state of the art techniques.

of expenditure from public exchequer. This needs that the C&AG should be provided with adequate logistics and manpower to facilitate the performance of checking expenditure from public exchequer as well as the ensuring the exchequer control.

Serious conflict in audit prevails as there is lack in enforceability of audit. It has status inconsistency. Like tax authority having penalty imposing measures against the defaulter, judicial power should also be given to audit to adjudicate the offenders.

Following audit findings are not binding upon the executives. As there is no legal compulsion to accept or reject decisions of PAC, authority to implicate defaulters legally may be assigned to PAC.

There should be audit engineering for structural and operational adjustment in state audit. Audit directorates need to be restructured and audit teams to be reframed sector wise. This approach is required, basis being preference for improvement. Sectoral audit teams may be formed in line with service development sectors like Health Audit Team, Agriculture Audit Team. Audit engineering in infrastructure of audit need to be explored with conglomeration of professional discipline. State Audit should possess moral standard to bark and bite. It is the watchdog but its approach should be to watch in microscope that state deliverables are properly made.

Good governance can be assured when audit is conducted at any time without waiting for the financial year to close with suggestions for improvement where needed. This approach of audit will allow auditee enforce 'pre-emptive' measures against financial irregularities and mismanagement of fund.

The conceptual limitation that audit should not comment on policy decision is now changing. It is increasingly felt that auditors should help in policy decision making with their expert comments and suggestions.

Good governance can be better assured when State Audit can judge and comment on the objectives of programmes of the government. For this purpose audit should be in a position to comment on policies and their basis of information

Honesty and integrity of the state auditors need to be established through ethical consciousness building. Environmental change is to be initiated by recruiting professionals for that purpose.

To assess the effectiveness of the state expenditure made for development of different sectors through multiple projects deserve to be evaluated in one go. Joint audit involving different directorates and ministries together can be thought of. This will lead to the concept of entity wide audit. Examples of such type of audit can be had from projects taken for reclamation of land by

land ministry, production of electricity by the Power Development Board, psci culture by the by the ministry of Fisheries and livestock, rehabilitation of effected people by ministry of Relief and Rehabilitation at Kaptai lake where directorate of local government audit, Foreign aided project, civil audit have their teams work independently. A common team working all the components would give a whole picture of governance at a time. Another example could be projects at Hakaluki Haor in Moulvibazar and Sylhet is one of the biggest wetlands of the country. USAID Funded CREL project under Ministry of Land, Ministry of Forest and Ministry of Fisheries is working for conservation of bio-diversity in the haor basin of Bangladesh. Permanent fish sanctuaries have been established Swamp Forest has been declared and maintained through CBOs formed with local people. This could be aan ideal example for joint audit by local audit directorate, Foreign aided project audit directorate, civil audit directorate. Citizens' participation which is predominantly a sign of good governance can be safely tested in this project. More examples like this could be identified and explored by C&AG office and a new dimension to state audit could be added.

An extensive campaign on building awareness on State Audit as the aid to good governance should be initiated by the office of the Auditor General. This will mean arranging briefing sessions by the Office of the C&AG for

Parliamentarians and seminars and workshops for auditee auditor interaction.

The statement 'State Audit as an aid to Good Governance' has been philosophized on the premise that state audit is a living institution concerned with happening around. Tsunami in Japan, earthquake in Nepal, human trafficking in the seas, collapse of building, undoable mechanical killing equipments in the hospitals, scams in the banks, all fall under the purview of state audit. From the first date of entrance in the government service till the date to the grave and even after that, benefits for spouses and children make it clear that state audit weaves society with a deeper sense of responsibility to make things better. It depends on them who prioritise things to be done first, which one to get more attention in the sectors of expenditure development and revenue and not be intrigued in the jargons of FIFO LIFO of consideration.

When state audit comes to the rescue, the decision makers may get a third eye view to make things straight and execute the task diligently to achieve the goals. Accountability of non performance, accountability for non achievement, accountability for malfiscence, accountability for non responsiveness can be established when state audit works with full independence. State audit is the formal authority which may provide

assurance of information extracted through acceptable international standards (both ISSAI and VFM) with applicable modern techniques for actualization or effectiveness.

In the end it is undeniable that in a country where mismatch in different aspect of financial management is deeply rooted in the vie for personal aggrandizement by those who manage resources, any changes in state audit aiding good governance would demand a strong ideological and political commitment.

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### Abbreviations

ADB	:	Asian Development Bank
ASOSAI	:	Association of Supreme Audit Institutions
AGAOA	:	Association of Government Accountants Organisations of Asia
C&AG	:	Comptroller & Auditor General
CCAF	:	Canadian Comprehensive Auditing Foundation
CGA	:	Controller General of Accounts
CMA	:	Cost and Management Accountant
CIPFA	:	Certified Institute of Public Finance and Accounts
CPA	:	Certified Practicing Accountants
DFID	:	Department of International Development
DG	:	Director General
DUDAK	:	Durniti Domon Commission(Anti Corruption Commission)
GAO	:	General Accountability Office
IAASB	:	International Auditing and Assurance Standards Board
IFAC	:	International Federation of Accountants

IGS	:	Institute of Governance
IIA	:	Institute of Internal Auditors
IMED	:	Implementation, Monitoring and Evaluation Division
INTOSAI	:	International Organisation of Supreme Audit Institutions
ISSAI	:	International Standards of Supreme Audit Institutions
MBA	:	Master of Business Administration
MP	:	Member Parliament
MOF	:	Ministry of Finance
OCAG	:	Office of the Comptroller & Auditor General
OECD-DAC	:	Organisation of Economic Cooperation - Development Assistance Committee PAC: Public Accounts Committee
PAC	:	Public Accounts Committee
PUC	:	Public Undertaking Committee
QAT	:	Quality Assurance Team

SAI	:	Supreme Audit Institution
UK	:	United Kingdom
USA	:	United States of America
USAID	:	United States Agency for Development
UNDP	:	United Nations Development Programme
UNESCAP	:	United Nations Economic and Social Commission for Asia and the Pacific
VFM	:	Value for Money
VGD	:	Vulnerable Group Development
WB	:	World Bank

**Annexure A**  
**Open ended questionnaire**

<b>Parameters</b>	<b>Questions</b>
Environmental expectation	<p>Do you consider the current practice of state audit is helpful for good governance?</p> <p>What in your opinion is expected of state audit for good governance?</p> <p>Do you consider the connectivity between state audit and governance is influenced by the absence of human trait in audit?</p> <p>Do you consider presence of a proactive state audit can build up a society free of mis -governance?</p>
Assurance	<p>Do you consider the information provided in the audit reports are sufficient and evidentially proven to draw the attention of the state holders?</p> <p>Do you consider the Auditor General is structurally and operationally independent enough to conduct audit and provide quality assured information?</p> <p>Do you consider the task of assurance is influenced by the way audit and accounts are done by the same group of officials?</p> <p>Do you consider the information provided in the audit reports are timely to help Parliamentarians in decision making?</p>
Acceptability	<p>Do you think that state audit should modernize its approach to make its role contributory to national</p>

	<p>objectives?</p> <p>Do you think the scope of audit should be extended to policy evaluation for good governance?</p> <p>Do you consider the enquiry of audit should be more on finding contemporary issues than petty regulatory objections?</p> <p>Do you consider the format of state audit should be so designed that it contains comparative information and observations best suitable for governance decision?</p>
Applicability	<p>Do you consider the volume of audit objections should comprise of quality observations with root cause analysis?</p> <p>Do you consider that state audit should be conducted at any time of the financial year than waiting for the financial year to close which can be useful for its preventive contribution?</p> <p>Do you consider that conduct of state audit through professional expertise including involving sociologists, anthropologists can be helpful in ensuring applicability of audit findings?</p>
Effectiveness	<p>Do you consider the effectiveness of state audit is dependent modernize audit systems like resorting to value for money audit?</p> <p>Do you consider the effectiveness of state audit is dependent on extensive discussion of audit reports by PA Committee and its follow up?</p>

	<p>Do you think state audit can be effective when it applies international best practices in its operation and contents?</p> <p>Do you consider effectiveness of state audit can be better ensured through empowering the Office of the Auditor General?</p>
Awareness	<p>Do you think changes in the audit culture of state audit may changes the status of governance cauterized with negativism?</p> <p>Do you think that improved state audit system based on modern approaches can create a developed sense of awareness on the necessity of audit for good governance?</p> <p>Do you think willful ignorance by the executives about state audit is a great deterrent to good governance?</p> <p>Do you think the current products of state audit are helpful in bringing audit awareness among the state holders in general?</p>
Preference	<p>Do you think state audit can help make choices in selecting priorities in strategic plans for development?</p> <p>Do you consider current state audit products are helpful in analyzing the alternative courses of action for good governance?</p> <p>Do you consider state audit output are helpful for the executives risk based planning and result based management?</p>

	<p>Do you think state audit can be helpful to suggest utilization of scarce national resources through enhancing its strength by professional experts than generalists?</p>
Execution	<p>Do you think state audit products are suggestive in nature to implement financial discipline favouring good governance?</p> <p>Do you think the current status of state audit is helpful in showing the right course of action for the executives through its impartial and unbiased conduct?</p> <p>Do you consider that governance can be improved through follow up audit as this type of post audit approach deals with amending past lapses and setting future courses to prefer?</p>
Accountability	<p>Do you consider the findings of state audit are sufficient enough to ensure detailed accountability of those involved with involved in the governance process?</p> <p>Do you consider accountability of both auditor and auditees are equally accountable for good governance?</p> <p>Do you consider that if audit reports are discussed by the Parliament or at the ministerial level prior to formation and declaration of national budget accountability command can be well established for good governance?</p>

	<p>Do you consider accountability framework can be strengthened if audit directorates are restructured ministry wise entailing a great paradigm shift in state audit?</p>
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## Annexure B

### Structured Questionnaire on **State Audit as an aid to Good Governance**

Please select and tick only one answer from the given list for each question

#### Basic Information about respondent

1. Name: .....

2. Job Title and Office:

3. Status: Member Parliament

C&AG

Principal Accounting officer

Director General

Member Audit team

Other

1. What should be given priority in audit in the context of better financial management?

• Audit should remain traditional in nature strictly identifying financial irregularities only

• Audit becomes helpful for management not to perpetuate repeated offence

• Audit should concentrate on examination of books and accounts and comment on punitive action against the defaulter

• Audit involves modern techniques to identify wrong and suggest systemic improvement to permanently redress those

- Audit should be planned in a way so that the focus of examination and reporting identifies the achievement or non achievement of objective for which government expenditure is made

2. What is your view about the present status of state audit?

- It is not productive to cater to the need for better financial management
- It is traditional by nature based on experience than on modern approach
- It is less informative and suggestive for managerial decision making
- State audit as practiced is not done by professional experts
- It examines highlighting faults only but does not evaluate government programmes by objectives

3. What is your view about role of audit for good Governance?

- When perception of audit is changed from foe to friend qualitative change may take place to improve governance
- Quality audit can help identify governance lapses through suggesting ways for improvement
- Better governance is dependent on avid attention on audit objections
- Better governance requires strict application of audit standards and principles for achieving national goal
- When state audit conducts continuous examination and interpretation of government receipt and expenditure and

highlights ways for improvement, the governance process become more effective

4. What is your view about Good Governance?

- Reduction of manpower with replacement of technological knowhow for better management
- Examination of books and accounts for better management of government fund and expenditure
- Application of modern audit techniques and reporting systems for effective management of government funds
- Strengthening office of the Auditor General to ensure accountability and transparency in government receipt and expenditure
- Professional management of audit process from planning to report writing

5. What in your opinion would best suit strengthening the relationship between audit and governance?

- Auditee takes immediate corrective action to bring financial discipline as per audit findings
- Audit reports are timely responded by the auditee
- Audit reports are not adhered to by the auditee because findings are insignificant
- The quality of audit reports is not sufficient enough to draw positive response
- Skillful audit is not conducted to draw attention on governance issues

6. Do you consider strengthening the role of audit in governance requires audit scope to be expanded?

- Scope should be confined within orthodox auditing
- Limited to some selective policy decision
- Confined on policy implementation only
- Extended to post policy implementation follow up
- Broadened to formulation of policy objective

7. From which point of view do you think audit requires an evaluation of 'governance policy?

- Citizen's participation in the policy formulation
- Assign responsibility for non fulfillment of objectives
- Assess allocation of resources for equitable justice
- Assess sectoral social justice
- Evaluate deviations on all the sectors stated above

8. What do you think will bring effectiveness of audit most?

- Impartial audit work without external influence can make its effect congenial to good governance
- Independent audit of the Auditor General's office helps improve the quality of work of CAG
- Effectiveness of audit is jeopardized when Auditor General has to depend on ministries for its budget and manpower
- Audit effectiveness can be assured with adequate independence of Auditor General
- Conduct of meticulous audit is enough to bring effectiveness irrespective of Independence

9. Which approach in audit reporting could be best suitable for good governance?

- Revealing areas of irregularities in the form of fraud, forgery and misuse of government fund
- Proposing punitive action where needed
- Assigning responsibility of those responsible for misdeeds
- Suggesting areas for reformation
- Assessing follow up actions on audit findings

10 When do you think bad governance occurs?

- Unholy alliance develops between the auditor and auditee
- Natural propensity to practice corruption by civil servants
- Management ignores audit instructions
- Estimates prepared by ministries are not examined and vetted by audit
- Policy decisions are not based on the findings of audit report

11. Do you consider quality of audit is largely dependent on the quality of auditors if:

- Auditees' knowledge about the competence of the auditor creates a tendency to commit misdeeds
- Auditors' inability to pursue code of ethics leads to negotiated audit reports
- As quantity prevails over quality, objective of audit for better governance loses importance
- Skillful auditors are not subject to undue pressure
- Professional competence strengthens auditors to find out the linkage between the policy and implementation aspect

12. When do you consider parliamentary committees (PAC/PUC/EC) can become the most effective supporting tool for SAI :

- The committee discusses the audit reports irrespective of the regime to which it belongs
- The committee possesses the right to adjudicate the offenders directly as per audit recommendations
- Audit reports are discussed by the members within reasonable time and follow up actions are assessed within specific time limit
- The reports are substantiated with reasonable proof that they are useful for the stakeholders in the governance process
- Audit reports submitted for discussion are substantiated with reasonable assurance about their accuracy and evidential proof

13. When do you think improvement in governance can be assured?

- Auditor General at his discretion decides when and what to audit
- The reports are discussed on the date following those are submitted to the parliament
- Audit is conducted annually at the end of financial year and recommendations are based on the post facto expenditure only
- Audit is conducted immediately after the financial year closes
- The audit of the current fiscal year is conducted at any time and audit makes suggestions for future corrective actions

14. Which is the most effective way to use audit reports?

- Discontinuation of clearing backlog and starting everything afresh
- PAC reports are provided to the media for follow up action on the decisions taken
- Audit reports are shared with the media immediately those are submitted to the president
- PAC reports are thoroughly discussed in the parliament to foster better policy making
- The audit reports are discussed in the parliament timely and acted upon accordingly

15. What do you consider requires more attention for better governance?

- Greater interaction with print and electronic media
- Professional editorial staff at CAG office
- Significant number of skilled manpower in the directorates
- Timely issue of final version of audit reports at field level
- Selective coverage of audit issues

16. Which contents do you consider require to be included in the audit reports to make them helpful for better governance?

- Graphical presentation with comments following best practices of developed SAIs
- Observation on financial irregularities only
- Opinion on misuse of public fund
- Recommendation on mitigating deficiencies of management
- Comparative review of achievement of national objective

17. What do you consider builds connectivity between state audit and governance?

- Auditees accept audit as a tool for better management action
- Spending authorities respond to audit query on specified time limit
- Auditors rise above their personal interest and remain clear about audit objective
- Both auditor and auditees are accountable for their performance as both of them work for effective financial management of limited resources
- Both auditor and auditee agree that audit plays a catalyst role for better governance highlighting deviations

18. Do you consider for better public financial management Audit and Accounts should assume distinctive characteristics?

- Compartmentalization will not yield better result as modern financial management, unless there is professional acumen
- Better governance means conglomeration of competent personnel in both audit and accounts
- A compromise formula may develop where negotiation may become pervasive
- In countries with commendable audit reputation separation or no separation audit plays the helping role in governance process
- Audit and accounts are two separate disciplines in financial management



19. Which reason is most appropriate to restructure CAG office for better audit management?

- Creating separate directorate for receipt audit
- A major structural re adjustment of the CAG office will allow it to work free from all political pressure
- Realigning the units of audit directorates will help avoid dual audit
- Creating separate audit directorate for major spending ministries
- Strengthening performance audit directorate into a meaningful governance directorate

20. Which additional provision should be made to strengthen CAG office?

- Provision for recognition of best performer personally and monetarily
- Access of CAG or his designated officers to media even before the reports are tabled in the parliament
- Embodiment of judicial power in the Audit Act like those of Napoleonic SAIs Court of Audit
- A careful development of strategic plans and strict adherence to those plans by C&AG office
- Formation of an advisory board to assist Auditor General comprising of academics, members of professional bodies and audit experts

21. Do you consider for better audit management leading to good governance the CAG's periphery need to be extended?

- Involving journalists from reputed news papers for editorial task of CAG reports
- IMED to accept their evaluation and assessment before extensive planning
- Arranging interactive sessions on regular basis with other oversight agencies like DUDAK
- Initiating discussion with secretaries at the primary level of audit objections raised
- Arranging regular briefing sessions for parliamentarians at CAGs initiative

22. Do you consider a noticeable change is required in the audit process to ensure effective governance?

- Stringent relationship prevails between auditor and auditee creating an environment of non cooperation
- The traditional regulatory audit concentrates more on petty issues than bigger picture of irregularities
- Parliament is not adequately provided with relevant information for policy changes by the present format of audit reports
- Quantity prevails over quality nullifying the objective of audit as aid to governance
- No significant performance or result based audit is conducted by the CAG office

## Annexure C

Q 1 What should be given priority in state audit in the context of better financial management?

Code 1	Audit should remain traditional in nature strictly identifying financial irregularities only
Code 2	Audit becomes helpful for management not to perpetuate repeated offence
Code 3	Audit should concentrate on examination of books and accounts and comment on punitive action against the defaulter
Code 4	Audit involves modern techniques to identify wrong and suggest systemic improvement to permanently redress those
Code 5	Audit should be planned in a way so that the focus of examination and reporting identifies the achievement or non achievement of objective for which government expenditure is made

Q 2 What is your view about the present status of state audit?

Code 1	It is not productive to cater to the need for better financial management
Code 2	It is traditional by nature based on experience than on modern approach
Code 3	It is less informative and suggestive for managerial decision making
Code 4	State audit as practiced is not done by professional experts
Code 5	It examines highlighting faults only but does not evaluate government programs by objectives

Q 3 What is your view about role of audit for good Governance?

Code 1	When perception of audit is changed from foe to friend qualitative change may take place to improve governance
Code 2	Quality audit can help identify governance lapses through suggesting ways for improvement
Code 3	Better governance is dependent on avid attention on audit objections
Code 4	Better governance requires strict application of audit standards and principles for achieving national goal
Code 5	When state audit conducts continuous examination and interpretation of government receipt and expenditure and highlights ways for improvement, the governance process become more effective

Q 4. What is your view about Good Governance?

Code 1	Reduction of manpower with replacement of technological knowhow for better management
Code 2	Examination of books and accounts for better management of government fund and expenditure
Code 3	Application of modern audit techniques and reporting systems for effective management of government funds
Code 4	Strengthening office of the Auditor General to ensure accountability and transparency in government receipt and expenditure
Code 5	Professional management of audit process from planning to report writing

Q 5 What in your opinion would best suit strengthening the relationship between audit and governance?

Code 1	Auditee takes immediate corrective action to bring financial discipline as per audit findings
Code 2	Audit reports are timely responded by the auditee
Code 3	Audit reports are not adhered to by the auditee because findings are insignificant
Code 4	The quality of audit reports is not sufficient enough to draw positive response
Code 5	Skillful audit is not conducted to draw attention on governance issues

Q 6. Do you consider strengthening the role of audit in governance requires audit scope to be expanded?

Code 1	Scope should be confined within orthodox auditing
Code 2	Limited to some selective policy decision
Code 3	Confined on policy implementation only
Code 4	Extended to post policy implementation follow up
Code 5	Broadened to formulation of policy objective

Q 7 From which point of view do you think audit requires an evaluation of governance policy?

Code 1	Citizen's participation in the policy formulation
Code 2	Assign responsibility for non fulfillment of objectives
Code 3	Assess allocation of resources for equitable justice
Code 4	Assess sectoral social justice
Code 5	Assess sectoral social justice, equitable justice, Assign responsibility for non fulfillment of objectives, Citizen's participation in the policy formulation

8. What do you think will bring effectiveness of audit most?

Code 1	Impartial audit work without external influence can make its effect congenial to good governance
Code 2	Independent audit of the Auditor General's office helps improve the quality of work of CAG
Code 3	Effectiveness of audit is jeopardized when Auditor General has to depend on ministries for its budget and manpower
Code 4	Audit effectiveness can be assured with adequate independence of Auditor General
Code 5	Conduct of meticulous audit is enough to bring effectiveness irrespective of Independence

Q 9 Which approach in audit reporting could be best suitable for good governance?

Code 1	Revealing areas of irregularities in the form of fraud, forgery and misuse of government fund
Code 2	Proposing punitive action where needed
Code 3	Assigning responsibility of those responsible for misdeeds
Code 4	Suggesting areas for reformation
Code 5	Assessing follow up actions on audit findings

Q 10 When do you think bad governance occurs?

Code 1	Unholy alliance develops between the auditor and auditee
Code 2	Natural propensity to practice corruption by civil servants
Code 3	Management ignores audit instructions
Code 4	Estimates prepared by ministries are not examined and vetted by audit
Code 5	Policy decisions are not based on the findings of audit report

Q 11 Do you consider quality of audit is largely dependent on the quality of auditors if:

Code 1	Auditees' knowledge about the competence of the auditor creates a tendency to commit misdeeds
Code 2	Auditors' inability to pursue code of ethics leads to negotiated audit reports
Code 3	As quantity prevails over quality, objective of audit for better governance loses importance

Code 4	Skillful auditors are not subject to undue pressure
Code 5	Professional competence strengthens auditors to find out the linkage between the policy and implementation aspect

Q 12 When do you consider parliamentary committees (PAC/PUC/EC) can become the most effective supporting tool for SAI?

Code 1	The committee discusses the audit reports irrespective of the regime to which it belongs
Code 2	The committee possesses the right to adjudicate the offenders directly as per audit recommendations
Code 3	Audit reports are discussed by the members within reasonable time and follow up actions are assessed within specific time limit
Code 4	The reports are substantiated with reasonable proof that they are useful for the stakeholders in the governance process
Code 5	Audit reports submitted for discussion are substantiated with reasonable assurance about their accuracy and evidential proof

Q 13 When do you think improvement in governance can be assured?

Code 1	Auditor General at his discretion decides when and what to audit
Code 2	The reports are discussed on the date following those are submitted to the parliament



Code 3	Audit is conducted annually at the end of financial year and recommendations are based on the post facto expenditure only
Code 4	Audit is conducted immediately after the financial year closes
Code 5	The audit of the current fiscal year is conducted at any time and audit makes suggestions for future corrective actions

Q 14 Which is the most effective way to use audit reports?

Code 1	Discontinuation of clearing backlog and starting everything afresh
Code 2	PAC reports are provided to the media for follow up action on the decisions taken
Code 3	Audit reports are shared with the media immediately those are submitted to the president
Code 4	PAC reports are thoroughly discussed in the parliament to foster better policy making
Code 5	The audit reports are discussed in the parliament timely and acted upon accordingly

Q 5 What do you consider requires more attention for better governance?

Code 1	Greater interaction with print and electronic media
Code 2	Professional editorial staff at CAG office
Code 3	Significant number of skilled manpower in the directorates
Code 4	Timely issue of final version of audit reports at field level
Code 5	Selective coverage of audit issues

Q 16 Which contents do you consider require to be included in the audit reports to make them helpful for better governance?

Code 1	Graphical presentation with comments following best practices of developed SAIs
Code 2	Observation on financial irregularities only
Code 3	Opinion on misuse of public fund
Code 4	Recommendation on mitigating deficiencies of management
Code 5	Comparative review of achievement of national objective

Q 17 What do you consider builds connectivity between state audit and governance?

Code 1	Auditees accept audit as a tool for better management action
Code 2	Spending authorities respond to audit query on specified time limit
Code 3	Auditors rise above their personal interest and remain clear about audit objective
Code 4	Both auditor and auditees are accountable for their performance as both of them work for effective financial management of limited resources
Code 5	Both auditor and auditee agree that audit plays a catalyst

	role for better governance highlighting deviations
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Q 18 Do you consider for better public financial management Audit and Accounts should assume distinctive characteristics?

Code 1	Compartmentalization will not yield better result as modern financial management, unless there is professional acumen
Code 2	Better governance means conglomeration of competent personnel in both audit and accounts
Code 3	A compromise formula may develop where negotiation may become pervasive
Code 4	In countries with commendable audit reputes separation or no separation audit plays the helping role in governance process
Code 5	Audit and accounts are two separate disciplines in financial management

Q 19 Which reason is most appropriate to restructure CAG office for better audit management?

Code 1	Creating separate directorate for receipt audit
Code 2	A major structural re adjustment of the CAG office will allow it to work free from all political pressure
Code 3	Realigning the units of audit directorates will help avoid dual

	audit
Code 4	Creating separate audit directorate for major spending ministries
Code 5	Strengthening performance audit directorate into a meaningful governance directorate

Q 20 Which additional provision should be made to strengthen CAG office ?

Code 1	Provision for recognition of best performer personally and monetarily
Code 2	Access of CAG or his designated officers to media even before the reports are tabled in the parliament
Code 3	Embodiment of judicial power in the Audit Act like those of Napoleonic SAIs Court of Audit
Code 4	Careful development of strategic plans and strict adherence to those plans
Code 5	Formation of an advisory board to assist Auditor General comprising of academics, members of professional bodies and experts

Q 21 Do you consider for better audit management leading to good governance the CAG's periphery need to be extended?

Code 1	Involving journalists from reputed news papers for editorial task of CAG reports
Code 2	IMED to accept their evaluation and assessment before extensive planning
Code 3	Arranging interactive sessions on regular basis with other oversight agencies like DUDAK
Code 4	Initiating discussion with secretaries at the primary level of audit objections raised
Code 5	Arranging regular briefing sessions for parliamentarians at CAGs initiative

Q 22 Do you consider a noticeable change is required in the audit process to ensure effective governance?

Code 1	Stringent relationship prevails between auditor and auditee creating an environment of non cooperation
Code 2	The traditional regulatory audit concentrates more on petty issues than bigger picture of irregularities
Code 3	Parliament is not adequately provided with relevant information for policy changes by the present format of audit reports

Code 4	Quantity prevails over quality nullifying the objective of audit as aid to governance
Code 5	No significant performance or result based audit is conducted by the CAG office

## Annexure D

## Secondary data tables

## Years taken to discuss Audit Reports by PAC

Table XXIII

Date of PAC session	Audit Report Year	Name of the ministry/ department	Name of the Audit Directorate	Type of audit report	Reference	Comments
24.2.97	1987-88	Public Works	Works Audit Directorate	Yearly, Financial	1 <sup>st</sup> report of 7 <sup>th</sup> PAC, July 1997, p.102	The discussion was on 10 years older audit reports of C&AG
5.2.97	1987-88	Post And Tele Communication	Post & Tele Communication	Yearly, Financial	1 <sup>st</sup> report of 7 <sup>th</sup> PAC, July 1997, p.76	The discussion was on the 10 years older audit reports of C&AG
4.2.97	1987-88	Cabinet Division	Civil Audit	Yearly, Financial	1 <sup>st</sup> report of 7 <sup>th</sup> PAC July 1997, p.64	The discussion was on the 10 years older audit reports of C&AG
29.4.97	1987-88	Public Works	Works Audit	Yearly financial	2 <sup>nd</sup> report of 7 <sup>th</sup> PAC, March 1998, p.47	The discussion was on 10 years older audit reports of C&AG
38 <sup>th</sup> meeting of PAC Sl.528 to 573	1971-72 to 1979-80	P T&T	PT&T	Yearly financial	5 <sup>th</sup> report of 7 <sup>th</sup> PAC, July 2001, p.324, 326	Reports discussed dates goes back to 17 to 26 years older financial year
29 <sup>th</sup> meeting of PAC	1989-99	Food	Commercial	Special	2 <sup>nd</sup> report 8 <sup>th</sup> parliament, 2006, p.64	Reports discussed dates back to 16 years older period
21.9.11 80 <sup>th</sup> sitting	1998-2000	Agriculture	L A D	Special	3 <sup>rd</sup> report 9 <sup>th</sup> PAC	Reports discussed

					September 2012,p.571	dates back to 13 years older period
10.5.2012	1982-1983	Agriculture	Commercial	Yearly financial	3 <sup>rd</sup> report 9 <sup>th</sup> PAC September 2012,p.571	Reports are 20 years older
8.5.2012	1977-2004	Commerce	Commercial	Special	3 <sup>rd</sup> report 9 <sup>th</sup> PAC September 2012,p.587	Reports dates back to 24 years older time
10.5.2012	1971-1998	Cultural Affairs	LAD	Special	3 <sup>rd</sup> report 9 <sup>th</sup> PAC September 2012,p.589	Reports dates back to 14 to 41 years older audit objections
10.5.2012	2006-2007	Local Government Rural Development And Cooperative	LAD	Yearly Financial	3 <sup>rd</sup> report 9 <sup>th</sup> PAC September 2012,p.635	Reports dates back to 6 years older period.



## Annexure E

## Secondary data tables (Contd.)

## Contents, quantity , timeliness and response on discussed reports

Table XXIV

Reference	Comments on contents of audit reports	Comments on quantity	Comments on timeliness	Comments on auditees' response	Comments on quality
7 <sup>th</sup> parliament PAC report (1 <sup>st</sup> ) p.101	Para 637 'Report discussed dates back to 10 years. Committee tries to objectively understand the systemic flaws; Report prepared by audit does not seem to be transparent. contents should be clear to understand the systems'				
7 <sup>th</sup> PAC 2 <sup>nd</sup> report, March 1998, p.47,p.53;p 57,	para 1166.1167 'Audit report of 1987-88 contains objections relating to 1975-76.. Instead of discussing reports of five or six years old, it should be devoted to 18 to 24 months older reports.'	para 1208.1209 'petty audit objections could be resolved by the concerned unit and the ministry involved.. Time is wasted. 'We are not only doing postmortem rather doing post mortem by after bringing the corpse from the grave'	Para 1210,1211 'Record of 1975-1976 if searched in 1997 meaning a lapse of a period of 26 years, there is little possibility of finding those'	para 1238,1240 'In almost all reports one sentence is inserted at the end specifying that ministries do not respond to audit inspite of repeated reminder from audit. It should be taken very seriously. So that civil administration understands that secretaries would be brought before the committee even after they retire.'	
8 <sup>th</sup> Parliament PAC report(2 <sup>nd</sup> ) October 2006 p.134,para 11	'If audit objections were responded in time Committee could have saved valuable time'				

7 <sup>th</sup> Parliament PAC (3 <sup>rd</sup> ) report,p.1999 <sup>th</sup> Parliament				‘Secretaries speak much about good governance and transparency. Question is how much do the secretary himself apply in his ministry. It is his moral responsibility to ensure’	
9 <sup>th</sup> Parliament PAC (3 <sup>rd</sup> )p. p.133 p.258	. para 6.1.11 ‘comments like ‘nothing to do ‘on audit objections relating to the pre independence period does not absolve any party of his accountability’.			p.151.190,205 ‘Today is 79 <sup>th</sup> session. The objection was discussed in the 33 <sup>rd</sup> session . No progress has taken place. it appears sectaries do not pay attention to the dictates of PAC or CAG’	.p108 ‘Expression given by audit and response given by auditee does not agree. meaning that the auditee do not pay adequate attention to audit findings’
9 <sup>th</sup> parliament pac ( 3 <sup>rd</sup> ) report ,September 2012,p.109				74 <sup>th</sup> session para 5.1.2 (5) ‘Explanation given by auditee do not agree with the explanation of CAG office. It means the concerned ministry do not pay attention to audit objections as they are supposedly to give. This is unfair and derogatory to audit’	
9 <sup>th</sup> Parliament PAC(3 <sup>rd</sup> ) report,Sept. 2012,p.288	‘Committee is discussing Finance & appropriation accounts of 2005- 06. The C&AG				

	should present upto date accounts for discussion with his comments and recommendation. It should not be so old to discuss.?				
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### Days of response and inclusion of objections in the reports

**Table XXV**

Date & year of audit	Financial year relates to	Date of issue of advance paragraph	Date of reminder sent to the secretary	Date of issue of DO letter	Financial involvement of the objection discussed Tk.	Reference
8.4.2007 to 6.5.2007	2005-06	1.8.2007	4.6.2008	24.6.2008	3,10,12,886	Defence audit directorate report 2005-06,p.17
21.6.2007 to 28.6.2007	2005-06	29.8.2007	2.4.2008	24.4.2008	95,88,800	Defence audit directorate report,2006-2007.p.23
31.3.2008 to 1.6.2008	2006-07	24.6.2008	16.9.2008	12.10.2008	5.21.77,417	Works audit report,2006-07,p.23
12.8.2008 To 28.01.2009	2006-07 to 2007-08	3.5.09	14.6.09	18.11.09	13,45,55,218	Commercial audit directorate 2007-08,p.11
22.11.2008 to 1.12.2008	2007-2008	17.2.2009	31.3.2009	20.5.2009	1,32,55,920	Works audit report 2008-2009,p.18
2.4.2010 to 19.4.2010	2006-2007, 2008-09	21.7.2010, 6.9.2010, 2.4.2008 & 28.6.2008	6.9.2010 & 21.1.2011, 27.5.2008 & 11.1.2009	12.1.2011, 4.5.2010	57,58,63,500	Works audit report 2009-2010,p.21

## Years taken for final approval at the C&AG office

### Table XXVI

Sl no	name of audit directorate	Year to which pertains	Ministry	Objections related to years	Certified by C&AG	Remarks (Years taken to get the reports finalized )
1	Works audit	2006-2007	Housing and Public works	2004-2007	24.3.2010	3
2	Works audit	2009-2010	Civil aviation & tourism		26.8.2012	3
3	Works Audit	2009-2010	Electricity, Energy, Mineral resources	2006-07,2008-09	7.5.2012	3
4	Works audit	2010-2011	Local Government & Cooperative	2007-2009	6.2.2012	3
5	Commercial audit	2007-2008	Civil aviation, Tourism, Agriculture. Water transport, Food & Disaster management, Communication	1998-08,	26.12.2010	3
6	Defence Audit	2005-2006	Defence ministry and Armed Forces Division	2004-2006,	11.11.2008	2
7	Defence Audit	2004-2005	Defence ministry and Armed Forces Division	2002-2005	4.5.2008	3
8	Defence Audit	2003-2004	Defence ministry and Armed Forces Division	2002-2003	27.9.2006	3
9	PT&T	2006-2007	Post & Tele communication	2006-2007	19.7.2009	2
10	PT&T	2005-2006	Post & Tele communication	2005-2006	8.10.2008	2
12	PT&T	2002-2003	Post & Tele communication	1999-2003	20.4.2005	3
13	Local & Revenue Audit	2004-2005	Local Government, Rural Development & Cooperative	2004-2005	22.5.2007	2
14	Works Audit	2001-2006	Water stagnation project at Dhaka LGRD Ministry	2001-2006	12.12.2006	1(This report relates to performance audit )
15	Works Audit	2001-2004	Performance audit on WASA LGRD	2001-2004	22.12.2005	1(This reports relates to

						performanc e audit)
16	Works Audit	2009-2010	Issue based audit on Civil Aviation Authority	2006-2010	2.10.2012	2(This report relates to issue based audit)
17	Works Audit	2005	Performance Audit report Water resources Ministry	2000-2005	18.12.2006	1(This report relates to performanc e audit)

### Often Repeated Objections

**Table XXVII**

Sl. No.	Headings Audit objections	Amount involved Tk.	Financial year	Audit directorate	Reference
1	Additional amount spent on 'Risk Purchase' not recovered from the supplier	13,33,000	2002-2003	Defence	Audit Report (1 <sup>st</sup> part), p.3
2	Additional amount spent on 'Risk Purchase' not recovered from the supplier	12,94,575	2004-2005	Defence	Audit Report (2 <sup>nd</sup> part) p.13
3	Additional amount spent on 'Risk Purchase' not recovered from the supplier	96,27,686	2005-2006	Defence	Audit Report ,p.18
4	Amount received from CNE patients not deposited to government treasury	2,27,36,088	2006-2007	Defence	Audit Report 2006-2007, p.18
	Amount received from sale of tender schedule not deposited to government treasury	6,49,950	2006-2007	Defence	2006-2007, p.17