

**Effectiveness of the Office of the Comptroller and Auditor General of Bangladesh in ensuring Accountability of Auditee Organizations:
A Case Study of an MTBF Ministry**

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Dedicated To:

*Public officials who are proactively working to elevate
the level of accountability in different sectors*

Abstract

This thesis addresses the issues of accountability. It relates the scope in studying the status of effectiveness of Office of the Comptroller and Auditor General (OCAG) of Bangladesh in ensuring accountability in the auditee line ministries. Accountability is one of the prime tasks of the Supreme Auditing Institution (SAI) of Bangladesh. Line ministries take budget from the parliament for spending of which they are accountable. Comptroller and Auditor General acts as the SAI performing audit hence this study gets its purview in assessing the effectiveness of OCAG in ensuring accountability of the auditee line ministries.

The study intended to measure how much effective is OCAG in ensuring accountability of auditee ministries. The results show that in the areas of innovation in planning, development of competence, quality reporting-OCAG showed effectiveness but it was found that in ensuring follow-up measures and monitoring and supervision mechanism OCAG lacks behind. Also, communication and coordination with Public Accounts Committee (PAC) - the parliamentarian committee was not found satisfactory. As OCAG is the SAI of Bangladesh and hence the prime authority to ensure accountability of auditee for spending public money, its follow-up mechanism and techniques expected to be more developed. Besides, lack in auditee part in following audit recommendations should also be taken care of. A corrective approach, proactiveness and concerted effort of OCAG, line ministry, auditee sub-entities, autonomous organizations and PAC can make a better ended result in this sphere of accountability mechanism.

The conclusion of this study bears some implied recommendations. Commonly the correction in the auditee behavior was addressed and in recommendation in case of measures taken by OCAG in ensuring accountability, multiple and mixed requirements were pointed out. It is revealed that OCAG showed betterment in audit planning, field audit, then even reporting but the negligence in further follow-up made the effort in vain. It is recommended that if the audit process starts it needs to be assured that it will end up with its ultimate destination making the process of accountability completed.

The study focused different major areas of organizational interactions and the scenario indicates the necessity of further research in this area. It can be concentrated on other MTBF ministries where SBA was done. A comprehensive research will definitely add value in this sphere.

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ABBREVIATIONS and ACCRONYMS

AIR	Audit Inspection Report
AP	Advance Para
BSA	Bangladesh Standards on Auditing
CAG	Comptroller and Auditor General
DD	Deputy Director
DG	Director General
DP	Development Partner
DP	Draft Para
FMRP	Financial Management Reform Program
FS	Financial Statement
GoB	Government of Bangladesh
GAS	Government Auditing Standards
IDEA	Interactive Data Extraction and Analysis
IGS	Institute of Governance Studies
KPI	Key Performance Indicator
LAD	Local Audit Directorate
MTBF	Medium Term Budgetary Framework
MTEF	Medium Term Expenditure Framework
MoSICT	Ministry of Science Information and Communication Technology

MoF	Ministry of Finance
OCAG	Office of the Comptroller and Auditor General
PA	Performance Audit
PAC	Public Accounts Committee
RIBEC	Reforms in Budgeting and Expenditure Commission
SBA	System Based Audit
SPEMP	Strengthening Public Expenditure Management Programme
TAS	Transaction Accounting System

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Chapter 1: Introduction

1.0 Introduction :

In the context of governance, accountability is frequently described as an account-giving relationship between individuals, covering actions and decisions, to justify them, and to suffer punishment in the case of eventual misconduct. Accountability cannot exist without proper accountability practices; in other words, an absence of accounting for actions means an absence of accountability. This description of accountability by default includes the role of different actors involved in the governance process. In case of ministries of government, secretaries of the line ministries receive public funds as yearly budget, and as such they are responsible for proper spending and utilization of this taxpayer's money. To hold the budget recipients accountable for spending that money, audit is the prime public instrument. In case of Bangladesh, the organization responsible for carrying out the audit functions in the public sector is Office of the Comptroller and Auditor General of Bangladesh (OCAG). This thesis intends to find out the status of effectiveness of audit in ensuring accountability of auditee organizations.

1.1 Background and Context of the proposed research:

Audit is an integral part of the financial structure of public sector. Over the years, the precise role of audit has shifted from mere detection oriented procedures to prevention and advocacy oriented performance evaluation approach. To deal with this changing scenario, the audit organizations are trying to cover more relevant tasks in the financial sector to ensure accountability of the budget recipients. In Bangladesh, there exist actors and factors which play crucial role in achieving the constitutional goal of ensuring efficiency, effectiveness, economy while spending public money and this task is done by applying tools of accountability by the parliament i.e. playing role of 'principal' utilizing these actors and factors to hold the 'agents' (auditee organizations) accountable in the public service.

The concept of accountability refers to the legal and reporting framework, organizational structure, strategy, procedures and actions to help ensure that Supreme Audit Institutions (SAI) meet their legal obligations¹. The Office of the Comptroller and Auditor General (OCAG) of Bangladesh has the mandate to exercise its discretionary power in ensuring accountability in the public entities along with its own office. Its purview covers all of the accounts of public funds maintained by all government and autonomous agencies working under the supervision of line ministries. As the secretaries of the ministries are recipients of the budget, they are responsible and accountable for the utilization of this sanctioned budget.

As Principal Accounting Officers (PAO), they are responsible and accountable for the proper utilization of this budget maintaining proper financial propriety laid down in descriptive and illustrative guidance given in General Financial Rule (GFR)². Comptroller and Auditor General performs its mandated functions of ensuring accountability by conducting different types of audit of public sector organizations.

The most widely known nature of audit is vouching audit. Traditionally such audits are conducted to examine the budget utilization by the audited entities examining vouchers. This type of audit does not have scope to make the auditee accountable for its performance rather it concentrates only on the fairness of financial transactions along with some compliance issues. Lately, responding to global changes, new innovations are being adapted and being utilized to accentuate the activities of audit by OCAG. As a result, new types of audit approaches are being introduced and exercised. One of such audit is the System-Based Audit (SBA).

In this type of audit, the processes or systems existing in a ministry and in its subordinate offices are examined in detail. Such systems include –*Budgeting, Procurement, Asset management, Store management, Receipt management particularly giving prime concentration on the Accounting system of the entity*. The rationale behind introduction of such audit is the changes introduced in the auditee entities in recent years. These intended changes include- change in the

¹ Principles of transparency and accountability; INTOSAI General Secretariat (2009).

² GFR Rule 10 states that public officials should apply sense of financial propriety in spending public fund and they should take such care for that money that they care about spending their own money.

whole mechanism of ministry budget cycle with a simultaneous effort to change the biased mindset towards traditional '*incremental budget*' to a '*target based*' strategic system of budgeting.

Medium Term Budgetary Framework (MTBF) works under another holistic framework called Medium Term Expenditure Framework (MTEF) which intends to ensure the financial propriety of the public funds. In this new system, starting from planning to execution of activities is brought under systematic framework and audited by OCAG for optimum evaluation planned in the framework. System Based Audit (SBA) has scope in analyzing the outputs and even outcomes expected from auditee ministries under MTBF. Preparation of budget under MTBF follows a *bottom-up approach* while the monitoring and evaluation guideline advocated by the development partner funded Financial Management Reform Program (FMRP) emphasized to make audit using SBA on a *top-down basis*. This attempt brought a qualitative change in management of public funds.

These are-

Medium term strategic objectives and key activities were set earlier and these were included in the budget book;

Priority spending areas /programs was set prior to preparation of the budget;

Key Performance Indicators (KPIs) were set;

Inclusion of forward budget estimation was another change made in the budgeting system;

Internal control was emphasized to be exercised properly in the auditee ministries, particularly to the MTBF ministries.

OCAG also took preparation in this regard. With the sponsorship of Financial Management Reform Program (FMRP), OCAG conducted capacity building program particularly on SBA, MTBF and other relevant issues covered under different components of FMRP project. It is to be noted here for a long time that the line ministries in Bangladesh are following a traditional, '*incremental budgeting system*'. This conventional approach of budgeting underwent much criticism and innovations were asked for.

In this context, the *Audit Handbook* issued by OCAG ³ (on 15 February 2007) stated that the operations of the Government of Bangladesh (GoB) have grown over the years to reach the situation where today the number and complexity of the transactions are such that it is no longer possible to carry out a 100 percent review of all the transactions. For the above reasons, the OCAG is moving towards a system based approach to auditing the accounts of Government of Bangladesh. A SBA does not necessarily require computerization. The basic approach involves a critical look at the internal controls in place and determining the amount of audit risk involved in relying on these controls. Based on this risk analysis, the total sample size is arrived at either judgmentally or statistically. Either way, the amount of actual voucher examination is substantially reduced.

This resulted in introduction of a new type of budgeting primarily advocated by development partners in association with the Ministry of Finance (MoF). Since 2005-06 new ministries are being brought under this new type of budgeting called ‘Medium Term Budgetary Framework’ (MTBF). The distinguishing nature of this budgeting is that it is prepared for at least three years instead of the traditional one-year budget and in addition to the projection of accounting figures, MTBF gives scope to publish the specific program/project-based strategic and operational objectives, Key Performance Indicators (KPI) in order to judge those and the segregation of the whole budget in consecutive three years. Observing the particular nature of such budgeting, OCAG in Bangladesh initiated a new approach to audit these ministries. The audit began with an innovative type of planning, mid-term supervision mechanism and it preferred System-Based Audit as an audit technique. Thus, OCAG tried to make the auditee organizations accountable in the area of fixing its KPIs and the achievement against these set KPIs.

³ Audit Handbook issued by OCAG (15 Feb 2007).

An overview of budgeting system of Bangladesh is illustrated in in the following box.

Box-1: Budgeting System in Bangladesh

In substantive audit approach auditor seeks to verify almost each and every transaction on his own without relying on the information provided by the management i.e. zero reliance is placed on the internal control system of the entity and any information produced by that system. Thus auditor will have to “vouch” for everything by conducting a detailed examination of financial information underlying financial statements.⁴

Comparatively SBA concentrates on internal control making the top management accountable in spending the public money.

Ensuring accountability of public entities is the prime component based on which the entire job description of the audit officials are framed. The concept of *accountability* as exercised by OCAG is taken up here correlating to its relevance with the function of the OCAG in ensuring ‘*true and fairness*’ of the financial statements, accounts and records of an Auditee as per its legal mandate assigned by the Constitution of the People’s Republic of Bangladesh.

However, OCAG is not an isolated institution in performing these functions. A viable cooperation of the auditee, role of Public Accounts Committee (PAC) as parliamentary oversight body and the management of line ministries are closely interrelated in this premise of ensuring accountability through sound Public Financial Management (PFM). In this regard, the cooperation from auditee’s end is the most immediate vital component. Audit teams under OCAG performs audit in the line ministries including secretariat and autonomous bodies under jurisdiction of the line ministry. The development projects are also included in this set of auditee.

⁴ Public Financial Management; volume3, June 2007.

So, if the internal control of these entities is assured, OCAG gets quality data from the auditee and responsiveness of auditee entities in terms of:

- (a) Compliance with existing rules and regulations;
- (b) Being responsive towards newly introduced MTBF budgeting system;
- (c) Being responsive towards newly introduced System-Based Audit;
- (d) Being responsive towards following the audit recommendations.

In this context, one might wonder as to how far the OCAG in Bangladesh capable of ensuring accountability of organizations it audits? This study tries to find out the answer.

1.2 Statement of the Issue

The Supreme Audit Institution (SAI), Bangladesh i.e. Office of the Comptroller and Auditor General (OCAG) of Bangladesh is one of the premium authorities to ensure transparency and accountability in the governance process of the People's Republic of Bangladesh (PRB). In democratic governance, one of the prime concerns is to ensure the proper use of public money. Ministries are allocated money to implement the government programs and policies, where OCAG is authorized to see whether these funds are being properly utilized.

For good public governance, the OCAG acts as one of the prime authorities empowered by the Constitution of the People's Republic of Bangladesh. For operational purpose, it has different guidelines to exercise. Of those the major basis includes-Audit Code, Audit Manuals, Code of Ethics for the Auditors, Government Auditing Standards, Bangladesh Standards on Auditing etc. In most of these norm oriented frameworks, the common two elements of *Good Governance* are *Accountability* and *Transparency*.

Though the role of SAI is largely known in the public sector and the nation, but from the view of research it can be evaluated *to what extent* and *with what limitations* this office, along with the related bodies, is functioning and can examine whether it needs further development or strengthening. OCAG has different dimensions in its responsibilities including '*watchdog*', '*fault finder*', '*aid to management*' and so on. But besides fulfillment of achievements in various sectors of public financial management, it seems that there are some disappointments also in some areas of its performance in fulfilling constitutionally obligated responsibilities.

For example, sometimes it was observed by the researcher during his work in the audit of public sector organizations that due to lack of proper planning, intended areas were not covered during audit, often competence of auditors were questioned in conducting effective audit, lack in quality reporting, proper communication, monitoring ,supervision and follow-up was also observed. This research therefore intends to assess the effectiveness of OCAG in ensuring accountability while exercising its areas of operation mentioned above.

The newly initiated Medium Term Budgetary Framework (MTBF) in selected ministries has some particular characteristics compared to the traditional budgeting. Development Partners (DP), who was instrumental in the introduction of this new type of budgeting, asked for special audit of these auditees of OCAG. To serve this, OCAG undertook certain measures starting from planning to report. It took System-Based Audit (SBA) as its tool to perform the audit of MTBF ministries by which it intended to ensure accountability as its regular function. It thus imperative to find out as to whether ministries under this type of budgeting are working properly in preparation of budget, utilization of this budget-these were broadly the areas to be examined under this study. OCAG also examined whether the ministries were capable of introducing and exercising MTBF techniques both in financial and performance related measures.

1.3 Purpose of the Study:

The purpose of this study is to examine the effectiveness of Office of the Comptroller and Auditor General of Bangladesh in applying innovative approaches to evaluate particular type of expenditure. Specifically, the research questions intend to see-

1. What measures OCAG takes to hold auditee accountable;
2. Effectiveness of these measures;
3. How effective is OCAG to make the auditee organizations accountable applying these measures;
4. How responsive are the auditees in this respect.

To work on this issue, the Ministry of Science, Information and Communication Technology (MoSICT) was selected as auditee as this ministry was under MTBF scheme, and the

effectiveness of System-Based Audit (SBA) conducted by OCAG has been taken as study area to evaluate the overall effectiveness of OCAG in ensuring accountability of this ministry.

1.4 Scope and objectives of the Study:

Scope

The Ministry of Science Information and Communication Technology (MoSICT) is the main focus of the study. The ministry itself, autonomous bodies and development projects under this ministry was taken under purview of this study. The effectiveness of measures taken by OCAG to make this ministry accountable is the main scope of this study. In this connection, the research intends to assess the activities of Local and Revenue Audit Directorate (LAD) under OCAG which conducted the MTBF Ministry System Audit of MoSICT.

Objective of the Study:

This study intends to assess the effectiveness of the OCAG in ensuring accountability of the auditee applying innovative audit approach.

Specific objective

To assess the effectiveness of the OCAG in ensuring accountability in a MTBF ministry of the government, i.e. Ministry of Science, Information and Communication Technology (MoSICT) by utilizing innovative audit approach like System-Based Audit (SBA).

1.5 Research question:

This study would want to analyze the effectiveness of OCAG ensuring accountability of the auditee (*MOSICT*) of the OCAG. Thus it wants to find out what is the state of effectiveness of OCAG in ensuring accountability in a MTBF Ministry. ie. MOSICT?

1.6 Significance of the study:

Though the Constitution of The People’s Republic of Bangladesh empowered OCAG complete independence in acting as watchdog, there are some possible deviations existing in the activities of audit. In ensuring *accountability* of auditees, OCAG, as a watchdog, is performing its role in a proactive manner both in quality and volume. Yet there are several issues to be evaluated which are much relevant to ensure effectiveness of its role. This research has the scope to assess the activities of audit under OCAG examining the nature and extent of participation of both audit personnel and auditee.

Till Financial Year 2010-11, 33 Ministries/Divisions of the Government of Bangladesh have been brought under MTBF. All remaining Ministries/Divisions are being brought under the MTBF process by Financial Year 2011-12. It is to be noted that a new program named ‘Deepening MTBF and Strengthening Financial Accountability Project’ under the umbrella programme ‘Strengthening Public Expenditure Management Programme’ (SPEMP), a multi-donor trust fund financed programme, has formally began its operation. This scenario reflects the growing concern and support towards introduction of MTBF. This continued interest towards this reform approach justifies the significance of this research.

System Based Audit (SBA) was conducted to perform this particular audit. A rigorous capacity building program was taken and the audit planning was done in a better quality manner. OCAG accepted the assignment offered by the Ministry of Finance in collaboration with consultation given by development partner. Several compilations of data and information, manual, write-ups were made on this topic. But, no research or thesis so far was conducted. So, this study will definitely add some input in this regard.

Efficiency of OCAG depends on a number of actors and factors. OCAG is empowered to settle standard for personnel working in the auditee offices along with its own office. The study under this thesis will add value exploring the extent of effectiveness of OCAG in ensuring accountability of auditee applying auditing measures efficiently. So, this study bears its significance in the above mentioned justification.

1.7 Justification of the research:

While working in different capacities, the researcher has observed that though the financial rules, regulations and standards are sound, but some discrepancies are there while applying those. It gives scope for further analysis of those. Following are some examples which motivated the researcher to examine the causes behind the deviations-

- a. A huge number of capacity building programs were exercised under OCAG, but compared to the expected result less visible progress was observed in the output through traditional vouching audit. To minimize such gap, new types of audit were being introduced, practiced and training was arranged to disseminate these among audit officials. One of the development programs under Ministry of Finance- Financial Management Reform Program (FMRP) conducted different types of training programs both for the auditee and auditors. Auditees in MTBF ministries were trained by one component (*FMRP Training Component*) and audit component led the capacity building program of auditors;
- b. This research has justification in this regard that by conducting this research the effectiveness of the capacity building programs can be evaluated which was a particular measure taken by OCAG as part of its accountability function. The rationale behind this intention of the researcher is that as based on such rigorous trainings, the MTBF led budgets were prepared in the MTBF ministries and System-Based Audit(SBA) was performed so the fruitfulness of these activities bear scope to be examined and analyzed while examining OCAG's efficiency in making the MTBF ministries accountable in spending the budget of a financial year ;
- c. OCAG seems to introduce new innovative ways in auditing but the results are not satisfactory. For example, several Systems-Based Audits were done which finally did not reach the Public Accounts Committee (PAC) or to some extent taking unusually long time for discussion even in the audit directorates and in the OCAG . Some gaps in follow-up mechanism might have responsibilities behind these;
- d. With a visionary approach, MTBF system was introduced in different ministries. To reduce misuse of public money, to initiate a bottom-up need based, specific program-

based budgeting, MTBF was introduced. Key Performance Indicators (KPI) were introduced to ensure quality fund management and to hold the budget recipients accountable. As the audit of these innovative approaches is a vital job, the evaluation of effectiveness of audit of such a MTBF ministry is justified.

1.8 Limitations of the Study:

Any kind of research naturally does have some limitations. The limitations arise from time requirement, nature of data collection, data collection technique, sampling or findings of data etc.

In this study, though the proportion of sample size was moderate, for quantitative analysis, therefore the data availability was not that much, and as such statistical analysis may not indicate significant statistical inferences. Here there is not much group data or much variation in quantitative data, so quantitative analysis may not be performed widely but, combining the qualitative statements as findings of survey and the quantitative findings are sufficient to shape a conclusion of the study.

1.9 Definitions and elaboration of Terms:

Audit-

The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with framework to Bangladesh Accounting Standards (BAS). The phrase used to express the auditor's opinion are '*give a true and fair view*' or '*present fairly*', in all material respects, which are equivalent terms⁵.

⁵ Performance Audit Manual issued by authority of the Comptroller and Auditor General of Bangladesh

Auditing Standards-

Auditing standards provide minimum guidance for the auditor that helps determine the extent of audit steps and procedures that should be applied to fulfill the audit objective. They are the criteria or yardsticks against which the quality of the audit results is evaluated.

Auditee-

Auditee generally means organization, programme, activity, function or project subject to external audit which includes any individual, unit, or activity of the organization that is auditable. In the perspective of Bangladesh-the body, organization or entity for which the Office of the Comptroller and Auditor General (OCAG) is responsible for auditing are meant auditee.

Accountability-

It means that responsibility to some outside or higher level of authority by a person or group of persons in an organization. Here the PAOs are accountable (*role of agent authorized to spend public money*) to the Parliament (*principal*) via Office of the Comptroller and Auditor General (OCAG).

AIR-Audit Inspection Reports are the preliminary audit reports issued by audit directorates- at the completion of audit and approval by the Director General - to auditee, Principal Accounting Officers(PAO)of line ministries, OCAG for further advancement towards PAC and the concerned other stakeholders.

Effectiveness-

Effectiveness is concerned with achieving predetermined objectives (specific planned achievements) or goals and with the actual impact (the output achieved) compared with the intended impact (the objectives).Using a range of performance measures and indicators,it is possible to assess any organization's effectiveness.

Financial Management Reform Programme (FMRP) -

FMRP has been designed as an umbrella programme under which there are a number of discrete components to ensure the necessary linkages and synergies amongst the concerned agencies for improved budget planning and management. The audit related components and its outputs are as follows:

FMRP Component-1: To strengthen auditing practice and information for improved parliamentary scrutiny of Public Financial Management (PFM).

FMRP Component-5: To build the capacity of Financial Management Academy (FIMA) under OCAG as a sustainable centre of excellence for government financial management training. Field work stage of five Medium Term Budgetary Framework (MTBF) ministry systems based audit have been completed in time and final report was being prepared with the assistance of FMRP.

In the process of developing professional IT skill among auditors of OCAG a number of mid and senior level officials were trained on Interactive Data Extraction and Analysis (IDEA) software which was advocated showing the justification of applying those to make better financial analysis of the entity budget and the accounts.

Key Performance Indicators-

KPIs are small number of factors, critical to the success of the organization, selected by the line ministry which can be used to measure progress against strategic objective. It was directed in the MTBF guideline that KPIs should focus on the outputs and outcomes in preference to the inputs and each KPI⁶ should have an attached budget.

⁶ Key Performance Indicators, MoF,GoB

OCAG-

OACG stands for Office of the Comptroller and Auditor General of Bangladesh which is the Supreme Audit Institution of Bangladesh.

Public Accountability-

The obligations of persons or entities, including government departments, public enterprises and corporations, entrusted with public resources to be answerable for the fiscal, managerial and program responsibilities that have been conferred on them, and to report to those that have conferred these responsibilities on them.

PAO: the budget recipient-

PAO stands for Principal Accounting Officer. The secretaries are called PAO. They receive fund as part of the budget recipients and every PAO is responsible for line ministry under his or her leadership. In yearly budget preparation they are primarily responsible for receiving the budget for the next financial year and finally they are accountable for the expenditures they make during the targeted financial year. Pre audit is done by the accounts offices and post audits are done by field audit arranged by OACG.

Supreme Audit Institution (SAI)

The public body of a state which, however designated, constituted or organized, exercises by virtue of law the highest public auditing function of that state.

1.10 Research Methodology:

Methods

The methodology of this research includes different techniques covering content analysis of secondary materials, interview and questionnaire survey. The approach consisted of the following activities-

Content Analysis-

Academic and research works on accountability issues relating auditor and auditee, policy papers on reform initiatives in budgeting are reviewed. MTBF guidelines for line ministries particularly those issued for MoSICT were also reviewed. Published and unpublished Audit Reports on Ministry of Science Information and Communication Technology for different years are analyzed for this purpose. Number of seminar papers, training materials on SBA, training manuals and materials utilized in FMRP training programs, proceedings of seminar, workshop on MTBF budgeting and auditing of MTBF in Ministries' proceedings and all available such documents are also reviewed .

Survey-

Survey is done through using structured and unstructured questionnaire. Specific two set of questions were used targeting two sectors. One is comprised of respondent from *Audit* and the other is respondents from *Auditee*. To cover most of the available and relevant functional and operational area, OCAG, Audit directorates, Ministry, Projects and Autonomous bodies under the line ministry were given proper consideration.

Interview-

Some selected persons working in OCAG, LAD, ministry and from ex-officials are conducted. They were selected both purposively and randomly. The researcher gave proper attention and structured approach was used while conducting such interviews. The output reflects the spontaneous responses of the respected senior and other concerned officials.

Sampling Design

The target population includes audit executives and auditee working in various capacities. The study area concentrates on audited offices under Ministry of Science Information and Communication Technology (MoSICT). For the purpose of questionnaire survey respondents from different autonomous offices, projects along with secretariat were chosen. Some questionnaires were used to get responses of ex-audit officials including Comptroller and Auditor General. To cope up with the time and resource constraints the sample size was set at 60.

Table 1 : Sampling structure of the research under study

Offices	Respondents
<i>for Questionnaire Survey</i>	
Audit Executives	
Audit team which conducted the particular audit	7
Other audit teams engaged in auditing other MTBF ministries	7
OCAG	5
Auditors working in traditional type of audit	5
Audit Directorate's management personnel	6
Auditee	
Secretariat	3
Autonomous offices	10
Development project personnel under MoSICT	4
<i>for Interview</i>	
OCAG	3
Ministry	5
Others	5

Type of Sampling

As there are different types of actors involved in the audit and accountability process, to make it more representative, *stratified sampling* was used. Here the stratum includes BCS officers of Audit and Accounts cadre, auditors, personnel who worked with FMRP, now working in projects financed by development partners and different segments of auditee executives. Selection of strata is purposive and selection of respondents as sample points is performed on random basis.

1.11 Data Analysis Plan:

It is better to show the readers the data analysis plan for convenience. The data analysis plan attempts in two ways;

1. Qualitative approach;
2. Quantitative approach.

Qualitative approach uses descriptive method to present the findings obtained from the respondents through questionnaire survey and interview. Segregation has been made as per the indicators set to explain the independent variables. And the effect of the independent variables on the dependent variable will be presented. It was observed whether the research question of this study and inherent hypotheses can be answered with the information obtained through the survey done. Some graphical input helps readers to get simple idea about the findings.

Quantitative approach includes simple statistical and quantitative techniques including summarization of data, percentage, measures of location, measures of dispersion, correlation analysis, regression analysis, chi-square distribution and some other such measures.

1.12 Chapter Outline:

The chapter outline of this thesis is given below for the convenience of the readers to get a brief outline. A brief description of each chapter will help reader to get an idea about the sequence of the study.

Chapter 1:- Introduction- It covers the background and context of the proposed research, statement and illustration of the issue, purpose of the study, scope and objectives of the study, elaboration of relevant terms and finally some limitations of study was summarized.

Chapter 2: Context of Accountability and Audit in Bangladesh- Role of audit in ensuring accountability, role of OCAg of Bangladesh and constitutional mandate and obligation of OCAg is described in this chapter. A newly introduced budgeting system is practiced under MTBF. In this chapter, Medium Term Budgetary Framework, its spread in Bangladesh, exercise of MTBF in MoSICT, MTBF ministry system audit performed in the line ministry are described. An evaluation of MoSICT by SBA is also described in this chapter.

Chapter 3: Concepts, Theories and Analytical Framework- This study was performed fixing a basis of theory. The Principal-Agent relationship (*Agency Theory*) taken here is described in this chapter and its applicability in studying the effectiveness of an organization-OCAg is justified showing the resemblance of OCAg with '*principal*' and that of auditee with the '*agent*' concept. It starts with literature review. Then briefing on accountability and audit, theoretical and analytical framework is described.

Chapter 4: Findings and Analysis- The data collected through questionnaire survey and interview are presented first, then raw findings are presented in a summarized form. Finally some statistical analyses are shown. Simultaneously researcher's interpretation is also added.

Chapter 5: Conclusions and Recommendations- Some specific conclusions were reached after this study. Some are from contents; some from field survey and the remaining are sourced from the analysis of interviewee's comments. Finally some relevant recommendations are listed under

the title of policy implications to develop the scenario of effectiveness of OCAG in ensuring accountability of the auditee.

Chapter 2: Context of Accountability and Audit System in Bangladesh

2.0 Introduction:

This chapter covers important issues related to the status of accountability and audit in Bangladesh. Audit the mostly recognized tool to ensure accountability is exercised by the SAI of Bangladesh. Role of audit in ensuring accountability, role of Office of the Comptroller and Auditor General of Bangladesh in this regard is described here.

2.1 Role of Audit in ensuring Accountability:

Audit often called the '*eyes and ears*' in monitoring the volume, type and nature of public fund. It is vital that as well as the internal audit functions properly that is done by internal control mechanism of any entity, the external audit provides aids to management. If there is no audit, it might happen that huge anomalies are being carried on in the auditee's end. Several audit reports can be cited where even unspent balance is one of the large volume that were kept unutilized and from this instance of mismanagement serious financial irregularities could have been not examined and resolved unless there would exist audit.

The Office of the Comptroller and Auditor General (OCAG), the Supreme Audit Institution (SAI) of Bangladesh is responsible for auditing government receipts and public spending and to ascertain whether expenditures have yielded Value For Money (VFM) in government offices, public bodies and statutory organizations. Appointed by the President of the republic, the Comptroller and Auditor General (CAG) heads the Supreme Audit Institution. CAG has the mandate to determine the scope and extent of audit.

The Constitution of the People's Republic of Bangladesh provides the CAG with complete independence i.e. he or she is not subject to any other authority having access to all documents required for conducting audit. Directors General, the heads of the audit directorates are responsible for conducting audit on behalf of the CAG in the government offices as well as the public sector undertakings. Audit observations involving serious financial irregularities are

initially developed into Advance Paras (AP)⁷ and subsequently Draft Paras (DP)⁸ after taking into consideration the replies received from the concerned auditee organization and the Principal Accounting Officer (PAO)- Secretary of the Ministry/Division. The DPs are incorporated in the audit reports after approval of the CAG. Alongside traditional approach to carry out financial, compliance or regularity audits, the office is now conducting performance audit to determine economy, efficiency and effectiveness in the management of public resources, thereby adding value to the governance issues.

In recent years there is an increased use of Information Technology (IT) in the government offices; as a result scope for the IT audit has also been increased manifold. To keep pace with the auditees OCAG has created a core IT Audit group and moving forward to creating an IT Audit cell in the OCAG to foster the IT auditing activities.

2.2 Role of OCAG of Bangladesh :

Hafizuddin Khan (2006) opines that while working as a 'watchdog' over the financial integrity and credibility of reported information, OCAG focuses its work on the following main issues-

1. Is the government keeping proper accounts and records and presenting its financial information accurately?
2. Did the government collect or spend the authorized amounts and for the purposes intended by the parliament?
3. Were programs and activities run economically, efficiently and effectively?
4. Did the expenditure meet the *standards of financial propriety*?

⁷. Advance Para : Advanced Paras are audit observations of serious nature, which are also called Serious Financial Irregularities (SFIs). These are transmitted to Secretaries of ministries/divisions for their replies.

⁸. Draft Para : If auditees fail to give satisfactory answers to APs they are incorporated in CAG's audit reports as Draft Paras to be placed to the Parliament/PAC, for scrutiny.

To ensure this, OCAG works in different ways- through the application of standards set by OCAG, International bodies like International Organization of Supreme Audit Institutions (INTOSAI), Asian Organization of Supreme Audit Institutions (ASOSAI) and other standard setting organizations like ICMAB (The Institute of Cost and Management Accountants of Bangladesh) and other legal bodies.

OCAG activities include-

1. Continuous development of own standards and adoption of relevant standards set by other institutions ;
2. Innovations in operational areas while conducting audit;
3. Monitoring, supervision and follow-up of the audit observations;
4. Reporting to Parliament through regular and special audits;
5. Communication with Public Accounts Committee;
6. Continuous communication with auditee entities and other stakeholders.

Here it is relevant to review of the vision and mission of OCAG, which is the Supreme Audit Institution (SAI) of Bangladesh-

Vision of OCAG

Attaining Accountability and Transparency in Public Financial Management for achieving good governance.

Mission of OCAG

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

In order to achieve these, OCAG has been trying to shift its activities from vouching audit to different new approaches like System-Based Auditing, performance auditing and so on. Job experience in related field gives the researcher an understanding that in several stages of audit

activities there exists different types of shortcomings which hampers the output and outcome of the work of OCAG. It may lie with any of the areas including-

- (a) the area of the field audit where auditors work;
- (b) competence of the auditors ;
- (c) the individual audit directorates where the mid-level operations are done;
- (d) the auditee entities along with executive ministries;
- (e) the OCAG which acts as a media and oversight agency to reach the ultimate stakeholder- the parliament;
- (f) the Public Accounts Committee (PAC).

Gap in any of these layers can hamper the process of ensuring accountability of auditee by OCAG. This research intends to examine the state of effectiveness of OCAG in ensuring accountability in the auditee offices.

2.3 Constitutional Mandate and Obligation of OCAG:

OCAG, the SAI of Bangladesh led by the CAG was established in 1973 as per provisions of the constitution of the Republic.

Constitution of the People's Republic of Bangladesh declares that there shall be a Comptroller and Auditor-General of Bangladesh (*hereinafter referred to as the Auditor-General*) who shall be appointed by the President. As per Article 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.

Articles 127-132 of the Constitution provide for the appointment, power, and functions of the CAG. Because of its independent status guaranteed by the constitution and its reporting relationship to Parliament, SAI can play an effective role in enhancing financial discipline and promoting accountability and transparency in the government. In Article 131 it is stated that the public accounts of the Republic shall be kept in such form and in such manner as the Auditor-General may, with the approval of the President, prescribe;

In Article 132 it is stated that the reports of the Auditor-General relating to the Reports of public accounts of the Republic shall be submitted to the President, who shall cause them to be laid before Parliament;

There are 10 Audit Directorates, headed by Directors General, under the direct control of OCAG who are responsible for conducting audit on behalf of OCAG. The Directorates are functionally organized based on the special characteristics of the auditee organizations.

From the above discussion readers may get the idea that how much OCAG is empowered, what it serves to perform its accountability related issues. Based on the framework of effectiveness of OCAG, the analysis is done in the later chapters.

2.4 Medium Term Budgetary Framework:

The Medium Term Budgetary Framework (MTBF) is an approach to budgeting which links the *'spending plans of government'* to its *'policy objectives'*. The main feature of an MTBF is that annual budget preparation is carried out within a framework which takes into account the resources expected to be available to the government over the medium term.

MTBF as an innovation-

MTBF in Bangladesh was introduced by the Financial Management Reform Programme (FMRP) a five-year programme financed by the UK based Department for International Development (DFID) and the Royal Netherlands Embassy (RNE), and executed by the Ministry of Finance,

Government of Bangladesh. FMRP was designed to build upon the previous financial reform initiatives piloted by the DFID funded Reforms in Budgeting & Expenditure Control (RIBEC) project.

The goal of FMRP was to improve the efficiency and effectiveness of the allocation of resources and to achieve more equitable and improved public service delivery. The purpose of FMRP was to develop accountable and transparent institutional management and operational arrangements for aggregate fiscal discipline, strategic prioritization of expenditure and improved performance during budget execution. It was expected that MTBF would assist in improving the overall quality of planning and budgetary process and also enhancing the quality and effectiveness of public expenditure. Multi-year budget horizon provides ministries the space and flexibility they need to formulate, plan and implement policies that focus on public service delivery or ‘*outputs*’.

MTBF reforms were introduced in FY 2005-06 with 4 ministries. These are now being rolled out to other line ministries in a phased manner. Till to date, there are 33 ministries brought under MTBF.

Ministry of Finance has developed a ‘*Strategy Paper*’ for rolling out budget reforms under MTBF which has been approved at the highest levels of Government. The ‘*Strategy Paper*’ articulates Government of Bangladesh’s approach towards introduction of comprehensive budget reforms under MTBF. It also addresses a number of other reform issues facing the public expenditure management systems in Bangladesh.

The main objectives of MTBF is to strengthen fiscal discipline, by creating an orderly framework for management of the annual budget over the medium term, strengthen the allocation of resources to the government’s strategic priorities and to improve operational efficiency, by strengthening the capacity of line ministries to prepare and manage their budgets effectively.

The MTBF has two complementary components:

1. A strategic, '*top-down*', component which sets the overall fiscal framework and provides guidance in the form of indicative budget preparation ceilings to each line ministry. This component focuses on Finance Division;
2. A '*bottom-up*' component, which supports line ministries to allocate resources strategically and in accordance with their ceilings. This component focuses on line ministries.

The main stakeholders in the MTBF are:

1. Finance Division, whose role will widen to encompass new functions, in particular macroeconomic forecasting, ensuring that budgets are prepared within the ceilings given, and that budgets are policy and output driven;
2. 2. Planning Commission, who will play a key role in ensuring that current commitments in the resource utilization are fulfilled.

The advocates of MTBF claim that such budgeting will ensure the optimum utilization of public money in an *Effective, Efficient* and *Economical* way. And the very specific nature of such budgeting lies in its specific program, project and KPI-based planning which requires also different type of auditing. And as the betterment is expected through MTBF, audit has its responsibility to focus the auditees' activities which needs to be developed to ensure proper use of money and fair financial management.

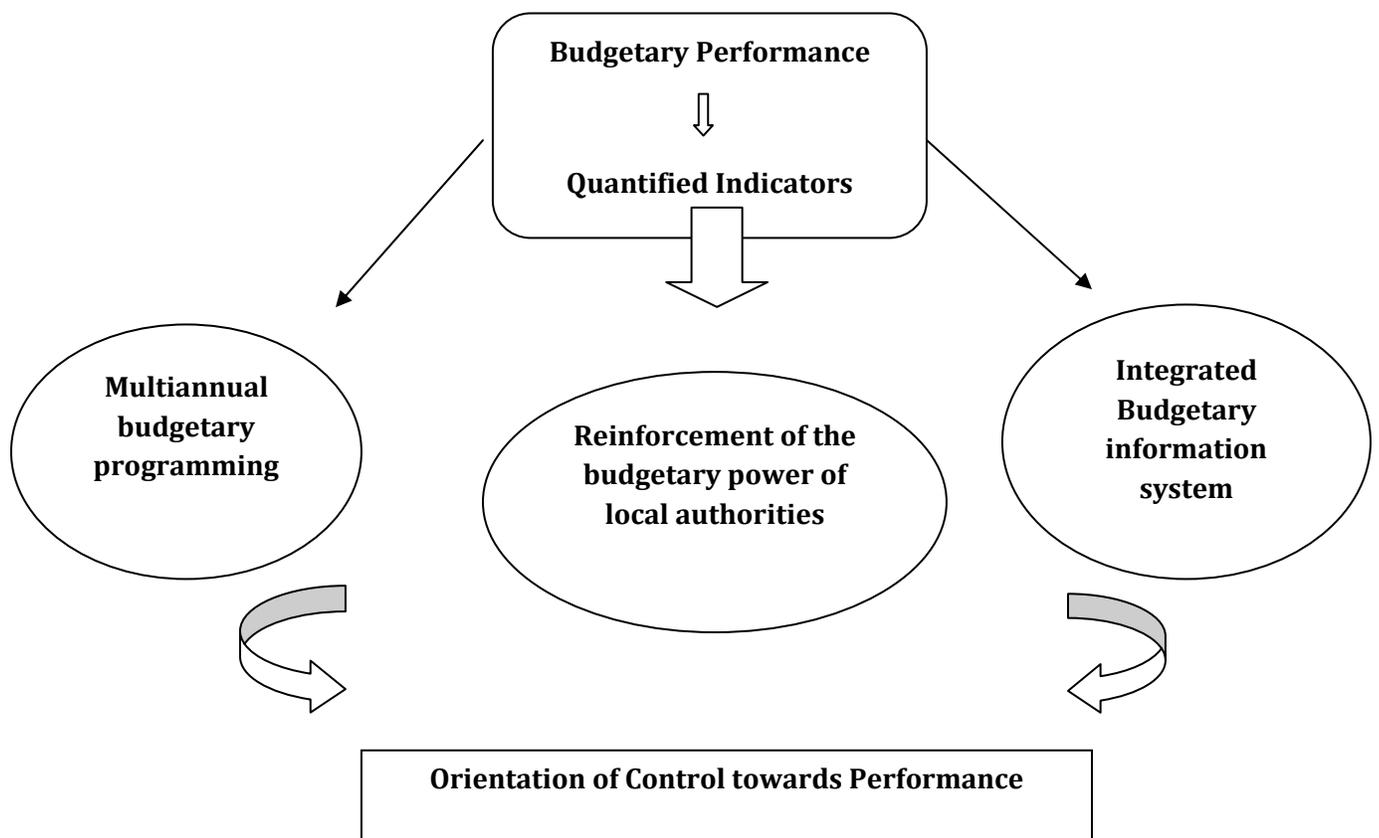
This research attempts to make an assessment of the audit work conducted in a particular ministry utilizing a particular type of audit technique- the '*MTBF Ministry system audit*'. It examines what initiatives OACG has taken to perform audit in an MTBF ministry, and to what extent it is successful in making the auditee accountable.

Components of Budgetary Reform: Theoretical Basis for MTBF-

Medium Term Budgetary Framework has its theoretical basis in the projection and program based budgeting system. MTBF guides to start the preparation of budget from bottom which reinforces the local authorities. Additionally, multiple period can be covered under the expenditure framework, strategic goals can be formulated and implemented accordingly. Ultimately it ends with better budgetary performance.

In case of MoSICT , set KPIs indicate the benchmark and this study related this practical scenario with its chosen theoretical framework.

Figure-1. Theoretical basis of Medium Term Budgetary Framework



It is relevant to validate the scope of conducting research to assess the effectiveness of OCAG in making a MTBF Ministry accountable correlating the theoretical basis of MTBF referred above. Orientation of control towards performance in the relationship shown above allows OCAG to exercise its function through assessment on the basis of evaluating performance against set indicators (e.g. KPIs set for MoSICT). As per MTBF guideline, KPIs are a small number of factors, critical to the success of the organization, selected by the Line Ministry which can be used to measure progress against strategic objectives. It is expected that KPIs focus on the outputs and outcomes in preference to the inputs. Each KPI bears an attached target. So evaluation of KPIs can reflect the state of accountability in MoSICT.

The study as intend to analyze MoSICT as a case study, and the effectiveness of OCAG is studied based on MTBF ministry system audit of financial year 2007-08 so this framework of MTBF process can be utilized and reviewed as a a link as the effectiveness study of OCAG requires the scope area where the SBA was applied.

2.5 MTBF in Bangladesh:

As a change initiative, MTBF was introduced in Bangladesh. The inherent approach is to take initiatives in bringing betterment in the public financial management system. Ministries selected were assigned job to make a strategy based budget. Priority concerns were to be selected for funding in the anticipated financial years.

2.6 MTBF Ministry System Audit :

MTBF Ministry System Audit was introduced to audit the expenditure and performance of financial year 2007-08 on 4 MTBF ministries and one division. MoSICT was one of these ministries. A brief description of SBA is given below for the convenience of the readers.

System-Based Audit-

System:

A system is a set of interacting components that operate together to accomplish a purpose. In other words, a system is a collection of people, machine and methods organized to accomplish a set of specific functions. While conducting SBA in MoSICT major such systems were selected under the sampling frame.

SBA--the basic steps:

1. Understanding the system;
2. Documenting the system;
3. Ascertaining and recording the system;
4. Assessment of control environment;
5. Audit comments

MTBF ministry system audit addressed all major systems of MoSICT where risk areas were identified using materiality analysis. The assessment of internal control of the line ministry was done and communicated with the PAO through management letter. Final audit comments comprised of management issues alongwith financial issues.SBA assisted to bring better quality audit and reporting as innovative tool of accountability in this regard.

2.7 MTBF in MoSICT:

Ministry of Science Information and Communication Technology is one of the five entities which were selected for performing System Based Audit under the leading of OCAG with the assistance of MoF and FMRP. Since the financial year 2007-08 MoSICT is exercising MTBF procedure. For the budget of its first year under MTBF system was audited examining the accounts of financial year 2007-08. A summary of the findings of that audit is given below-

BOX-2: MTBF in Ministry of Science, Information and Communication Technology

MTBF was introduced in the year 2007-08 in this ministry. Under macro evaluation, audit raised the following observations:

1. 42.60% of non-developed and 80.60% of the development budget was remained unspent at the year-end as the theoretical proposition of MTBF was not made tailored with the base line needs (*See Annexure-2 for details*);
2. Remarkable deviation observed between estimated and revised budget that shows the lack in planning level .The responsibility goes both to the line ministry and the ministry of finance (*See Annexure-2 for details*);
3. The set Key Performance Indicators was not consistent with the sub-entities working under the ministry;
4. Improper budgeting and non utilization of fund in priority areas observed;
5. Utilization of fund in unallowable areas ;
6. Little care for fund provision and fund utilization in priority spending areas;
7. Inadequacies in the preparation of need based budget estimates;
8. Absence of work plan in fulfilling the Medium Term Strategic Objectives;
9. Absence of financial planning against each of the Medium Term Strategic Objectives;
10. The medium term goals relating poverty reduction and women empowerment was not achieved.

Source : Audit report of MTBF ministry system audit of MoSICT.

2.8 Evaluation of MoSICT by SBA :

Evaluation of MoSICT concentrated in two major ways-

1. Through the assessment of internal control of MoSICT as a line ministry;
2. Through MTBF ministry system audit conducted on the budget allocated to this ministry in the financial year 2007-08.

Particular illustrations are briefed here showing the state of performance evaluation of MoSICT and an evaluation based on the set KPI's under MTBF budgeting. Audit observations related to different systems of the line ministry covering budgeting, accounting, procurement, asset management and other major systems are summarized here.

Performance evaluation by SBA-

The audit report initially submitted by the audit team shows various discrepancies and deviations observed in the ministry and several autonomous bodies under the ministry-MoSICT.

Table 2 : Implementation status of MTBF budget of MoSICT:

(in lacs taka)

Head	Estimated budget	Revised budget	Real expenditure	Unspent balance	%
Revenue	776.19	777.59	446.34	331.25	42.60
Development	1686.00	495.00	96.04	398.96	80.60
Total	2462.19	1272.59	542.38	730.21	57.37

Source: Audit report of MTBF ministry system audit of MoSICT

KPI: evaluation by SBA-

Generally it can be said there is deviation in setting of and attainment and reporting of KPI. It was commented by audit team that the KPIs set were not compatible and the simultaneous activities were not found consistent. There are weaknesses in different systems of the line ministry. Audit observations obtained through SBA of MoSICT include number of major systems available under the line ministry.

2.9 Conclusion :

There were huge enthusiasm in advocating and welcoming the new concepts of budgeting and auditing of this. The suggested innovative framework seemed good, but in practice it seemed it had problems in implementation. Based on the context of accountability discussed in this chapter, this will be discussed more in details in the later chapter in the light of concepts, theories and analytical framework of this study.

Chapter 3: Concepts, Theories and Analytical Framework

3.0 Introduction

This chapter deals with the theoretical aspects related to the study. Thorough content analysis gave researcher guideline to fix the theory and analytical framework keeping relevance with the research questions intended in the study. Several secondary sources were reviewed to pick a suitable theory to perform the study. To develop analytical framework research used relevant theories of accountability, departmental standards as theoretical framework and theoretical basis for Medium Term Budgetary Framework was explained elaborately.

3.1 Literature review

While scanning literature it was found that most of the writers or researchers gave emphasis on the role of OCAG in ensuring better governance through ensuring transparency and accountability. The competence of OCAG, cooperation of auditee and role of other bodies including Public Accounts Committee were focused. The summary of these literature are given below.

Government Auditing Standards of Bangladesh (1999) states that persons or entities that are entrusted with the responsibility of managing public resources need to render an account of their activities to the public. It states that they are responsible for applying those resources economically, efficiently, and effectively to achieve the purposes for which the resources are furnished, complying with applicable laws and regulations. And it also states that the said actors must implement systems designed to achieve that compliance establishing and maintaining effective controls to ensure that appropriate goals and objectives are met, resources are safeguarded, laws and regulations are followed, and reliable data are obtained, maintained and

fairly disclosed providing fair and complete financial reports and other information to appropriate levels and branches of government for the resources provided to carry out government programmes and services.

Government Auditing Standards of Bangladesh ensures independence in all matters relating to the audit work, the auditor and it assures that the office of audit should be free from personal and external impairments and be organizationally independent.

Regarding competence it states that ‘ the staff assigned to conduct the audit should collectively possess adequate professional proficiency for the tasks required in whatever the nature of the audits to be undertaken and it also emphasized that auditors should follow-up on known material findings and recommendations from previous audits.

G. Shabbir Cheema (1996) concluded that financial management is a tool for accountability. His research shows that the need for open and rigorous systems of financial management and procurement, accounting and *auditing* are necessary to ensure *accountability*. As a critical systemic issue it was stated that while the Office of the Auditor General is created through the Constitution it is supposed to be autonomous.

G. Shabbir Cheema (2009) stated that like elsewhere in the world the sovereign Parliament of Bangladesh has the ultimate responsibility to ensure financial accountability and transparency in the management of public resources. The process of financial accountability starts from the placement and presentation of annual budget before the Parliament through which public managers are authorized to generate resources for, and spend money from, the public exchequer. The effectiveness of the Parliament in ensuring financial accountability, to a large extent, depends on relevant, reliable and unbiased information provided by the SAI headed by the CAG through audit reports. Now-a-days, the scope of public audit has further extended as the citizens are demanding for more value for money.

He added that “...the concept of audit occupies a central part in public financial administration. Audit is, generally, conducted for two purposes. The one is to identify violations of accepted standards of ethics, and deviations from the principles of legality, efficiency, effectiveness and economy in resource management. The other is to make public managers responsible for their conduct and for their use of public funds, and to motivate them to take corrective measures to prevent violations from recurring...”

G. Shabbir Cheema (2009 cited in Sahgal, 1997) that audit can help restrain any tendency to divert public resources for private gain). By auditing government income and expenditure the Office of the CAG provides assurance for financial integrity and the credibility of reported information and contributes to building up national integrity system.

Cited in G. Shabbir Cheema (2009) stating – accountability is generally defined as "A is accountable to B when A is obliged to inform B about A's actions and decisions, to justify them, and to suffer punishment in the case of eventual misconduct" (Schedler, 1999: 13). This process starts with providing an incumbent with clearly stated responsibilities and ascertaining his/her knowledgeable consent followed by periodic upward reporting by the incumbent about his/her performance of responsibilities. On effectiveness he stated that –‘... Effectiveness is defined as the measurement of the relationship between the results obtained and the objective laid down from the beginning’¹¹ (Institute of Governance Studies, 2008: 20). Public institutions, especially constitutional bodies, have their responsibilities clearly stated in different statutory laws. Performance of those responsibilities depends upon policies, plans, and projects formulated by agencies. As public institutions have multiple stakeholders having conflicting interests; it is not enough for an institution to derive its policies and plans only in accordance with statutory obligations. Rather, a delicate balance between various interests and statutory obligations needs to be translated into policies and plans so that they remain responsive to the stakeholders and provide them with reasonable satisfaction..’

Gregory (1990) cited in Mulgan (2000) in this way that ‘In a democracy, it is because the people wish to control the actions of public officials answer explain and accept sanctions. Indeed, the

auditing of government agencies was identified with an earlier, more specific sense of control as in government controllers or comptrollers.

Relevant citation of Uhr(1993) by Richard Mulgan (2000) adds that ‘Understanding control in the broadest sense of making public agencies do what the public and their representatives want, accountability and control are ultimately linked because accountability is a vital mechanism of control’.

Jones (1992) cited by Richard Mulgan (2000) expressed that ‘One sense of Accountability, on which all are agreed, is that associated with the process of being called to account to some authority for one’s actions’. Richard Mulgan (2000) viewed that ‘the concept of account-ability includes an implication of potentiality, literally an ‘ability’ to be called to ‘account’.

Richard Mulgan (2002) in his ‘Accountability; An Ever-Expanding Concept?’ stated that the scope and meaning of ‘*accountability*’ has been extended in a number of directions well beyond its core sense of being called to account for one’s actions. It has been applied to internal aspects of official behavior, beyond the external focus implied by being called to account; to institutions that control official behavior other than through calling officials to account; to means of making officials responsive to public wishes other than through calling them to account; and to democratic dialogue between citizens where no one is being called to account. In each case the extension is readily intelligible because it is into an area of activity closely relevant to the practice of core accountability. However, in each case the extension of meaning may be challenged as weakening the importance of external scrutiny.

Hafizuddin Khan (2006) is of the opinion that auditing is a function that serves accountability as it adds credibility to the assertions of the person or entity rendering account, and it provides valuable insights and information to the person or entity conferring the responsibility and thus leads to establishing integrity. In a similar vein, Mohammad Moslem Uddin (1996) discussed about the necessity of auditee’s responsibility in replying to audit observations. Md. Manirul Islam (2006) too emphasized on the accountability and transparency as basis of quality accounts and financial management.

Kathe Kallahan (2007) mentioned accountability as a prime element of effective governance while Pollit *et al.* (1997) projected the growing interest on performance rather than mere compliance in auditing. Lord Sharman (2001) observes that accountability in central government is based on an intricate web of relationships. The researcher here related Lord's proposition observing the relationship existing in the activities and mechanism in the government of Bangladesh. Bangladesh is run by a central government under which there are divisional, district and more decentralized administrative set up by which in the field level public fund for development and revenue sector is spent. Office of the Comptroller and Auditor General of Bangladesh is authorized and responsible for ensuring accountability of the spending units who are OCAG's auditee.

Sharman's report titled 'Holding to account' summarizes a number of key means by which departments, agencies and other organizations are held accountable and he noted that different forms of accountability are best suited to different purposes. He added that much of the variation in the relationship between public sector bodies and Parliament results from a legitimate need to recognize the interests of Parliament and other stakeholders and the different relationships that the wide variety of public sector bodies have with each other. Accountability arrangements need to reflect that variety of interests and relationships.

As per Sharman's analysis, though public accountability is appropriate to a wide range of bodies, the manner in which that accountability is achieved can vary significantly from body to body. Bodies may need to be publicly accountable even if they deal with private money while bodies that deal with public money may have quite different accountability arrangements from one another because of their different status and . This study also stated that effective system of accountability of the Executive to Parliament, backed up by rigorous processes of audit, reporting and scrutiny, is fundamental to the proper operation of a Parliamentary democracy.

Lord Sharman proposes that public accountability and hence public audit should be appropriate for public money and constructs a definition of public money for that purpose whose underlying assumption is that, where public money is involved, some level of public accountability is

required, regardless of the status of the body handling that money public money may have quite different accountability arrangements from each other because of their different relationships.

International Organization of Supreme Audit Institutions (INTOSAI) viewed and analyzed the audit processes adopted and exercised by different SAIs. INTOSAI's *Lima Declaration of Guidelines on Auditing Precepts* (October 1977) includes the following directions on different types of audit including financial and performance Audit:

- 'The traditional task of Supreme Audit Institutions is to audit the legality and regularity of financial management and accounting.
- In addition to this type of audit, the importance and significance of which is undisputed, there is another type of audit which is orientated towards performance, effectiveness, economy and efficiency of public administration. This audit includes not only specific aspects of management, but comprehensive management activities including organization and administrative systems.
- The auditing objectives of Supreme Audit Institutions – legality, regularity, efficiency, effectiveness and economy of financial management - basically are of equal importance; it is left to the Supreme Audit Institution to determine the relative prominence to be given to each.'

IMF code of fiscal transparency, states that a: 'national audit body or equivalent organization, which is independent of the executive, should provide timely reports for the legislature and public on the financial integrity of government accounts'. It reveals the urge for quality audit reporting by the SAI, OCAG here in Bangladesh.

3.2. Accountability and Audit:

Accountability and audit are two correlated concepts. In Accounting discipline, sometimes it is stated that, where accounts, there starts audit. A budget recipient of the public fund is accountable for spending this taxpayer's money. Parliament as principal allocates this money to the line ministries who collectively form the budget recipient sector. They are authorized to spend the money, manage properly the spending of this money and finally they are responsible to show a true and fare view of their activities presenting the accounts at the end of the financial year.

Auditing keeps the ministries accountable via secretaries conducting different types of audit. There other organs and techniques to evaluate monitor and assessment of ministries job but audit bears the prime responsibility in the function of keeping the auditee accountable in using the public fund. So, accountability depends on audit activities. And there exist a relationship between the effectiveness of audit with auditor's credibility and simultaneously of auditee's role.

3.3 Theoretical and Analytical Framework:

Theoretical Background

To sketch the theoretical framework the researcher considered the following elements as priority concepts as they relate to the overall work and scope of the OCAG and they are accountability, sffectiveness, efficiency and innovation.

Relevant theories of Accountability-

While searching for relevant theory that can match with the relationship between auditor and auditee, it was found that there are two such relationships which can be considered as the theoretical basis to perform the analysis to measure the effectiveness of OCAG in ensuring accountability of its auditees. These two are

- (a) Principal-agent relationships/ Agency Theory
- (b) Fairness Theory

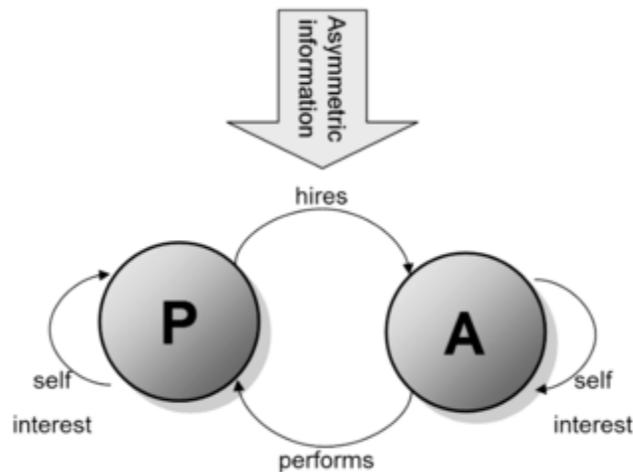
While comparing these theories it was thought that the Agency Theory resembles with the problem under this study compared to the Fairness theory. In Fairness theory, implications of actions taken by the concerned personnel working in public bodies using set principles are talked which does not help to measure the effectiveness of any part. But, the application of Principal – Agent relationship in this regard, indirectly helps in determining the effectiveness of OCAG (watchdog working on behalf of the principal i.e. parliament) in ensuring accountability of the auditee (the line ministries taking money/ budget as agent). So finally the Principal-Agent Theory was chosen to shape the analytical framework of the research

Agency Theory /Principal-agent relationships-

The Principal-Agent relationship originates from the field of political science and economics. This relationship treats the difficulties that arise under conditions of incomplete and asymmetric information when a principal hires an agent, such as the problem of potential moral hazard and conflict of interest, in as much as the principal is—presumably—hiring the agent to pursue its, the principal's interests.

The principal–agent problem is found in most employer/employee relationships. Numerous studies in political science have noted the problems inherent in the delegation of legislative authority to bureaucratic agencies. For example, the implementation of legislation (such as laws and executive directives) is open to bureaucratic interpretation, which creates opportunities and incentives for the bureaucrat-as-agent to deviate from the intentions or preferences of the legislators. Variance in the intensity of legislative oversight also serves to increase principal–agent problems in implementing legislative preferences.

Figure 2 : Basic Idea of Agency Theory



Basic idea of Agency Theory (P: Principal, A: Agent)

Source: Wikipedia

In an article titled ‘*Agency Theory and the Role of Audit*’ published by Audit and Assurance Faculty of Institute of Chartered Accountants in England & Wales (December 2005) it was expressed that such relationship means the **arrangement** that exists when one **person** or **entity** (called the **agent**) acts **on** behalf of another (called the **principal**). For example, **shareholders** of a **company** (principals) **elect management** (agents) to **act** on their behalf, and **investors** (principals) choose **fund managers** (agents) to **manage** their **assets**. This arrangement works well when the agent is an **expert** at making the **necessary decisions**, but doesn't **work** well when the **interests** of the principal and agent differ substantially. In **general**, a **contract** is used to **specify** the **terms** of a principal-agent **relationship**.

In other words, an agency relationship arises when one or more principals (e.g. an owner) engage another person as their agent (or steward) to perform a service on their behalf. Performance of this service results in the delegation of some decision-making authority to the agent. Such delegation means that the principal needs to place trust in an agent to act in the principal’s best interests.

An audit is of value to a variety of stakeholders to engender trust and confidence, but for many different purposes, which do not fit into the simple agency model. Audits serve a fundamental purpose in promoting confidence and reinforcing trust in financial information and use. The principal-agent relationship, as depicted in agency theory, is important in understanding how the audit relationship has developed.

Therefore, in this proposed research, Principal-Agent concept of relationship can be linked here with the relationship between the elected bodies and the public servants, where the watchdogs (auditors) provide independent objective assessments of the agents' performance. It can be compared in this manner that Parliament acts as principal as it grants money to the Secretaries of the line Ministries who act as agent/steward. The role of OCAg here is to act on behalf of the principal (the Parliament).

Justification of selecting theory as the basis for Analytical Framework-

Between the above mentioned two theories, the designed analytical framework mostly resembles with the Principal-Agent theory. It seems there exists sound correlation between the concept of 'relationship between principal and agent' and 'relationship between auditor and auditee. Effectiveness as state of Auditor (Principal) is represented by the dependant variable and cooperation as a trait of auditee (Agent) is represented by one of the independent variables.

The dependent variable is 'Effectiveness of OCAg of Bangladesh in ensuring Accountability of Auditee' reflects the possession of OCAg as principal (acting on behalf of Parliament), and one independent variable- 'Measures taken by OCAg' reflects its activities to ensure such accountability of the agent (line ministry); while and the other independent variable- 'Auditee's cooperation' reflects the role of the agent in supporting the accountability process. These three variables and their relationship are described in the Analytical Framework described later on below.

Standards as Theoretical Framework-

Ed. Lester Breslow. Gale Cengage (2002) in Encyclopedia of Public Health expressed that professionals in any field can be called upon to justify their professional actions. The criteria against which they can be held accountable are those embodied in the normative standards of their particular profession. These standards are expressed in ethics guidelines or codes of conduct for each specialty area within public health. They also may be embodied in law. Likewise, other professionals engaged in public health work, including physicians, policy makers, and corporations, are accountable according to their own professional codes of conduct.

In order to ensure accountability, the role Comptroller and Auditor General can play has legal protection by some Code of Conducts and Standards. These include Audit Code (July,1999), Government Auditing Standards(November,1999), Code of Ethics for Government Auditors (April,2001) issued by Comptroller and Auditor General of Bangladesh conforming to CAG's legal mandate ensured by the Constitution, and Bangladesh Standards on Auditing (,August,2004) issued by the Institute of Chartered Accountants of Bangladesh (ICAB).

Ethical standards maintained in the organization-

In reality the standards code in some specific documents published by either OCAg or other bodies are usually followed as ethical standards indirectly. These are-

1. Generally Accepted Auditing Standards (GAAS);
2. Bangladesh Standards on Auditing (BSA);
3. Government Auditing Standards (GAS);
4. Code of Ethics for the Government Auditors

It can be claimed that the standards under GAAS reflect *best practices* as these do have mandatory basis for application. These best practices are expected to be applied with compatibility of the mandate of C&AG as empowered by the Constitution.

These standards include the following major measures-

1. *Basic Postulates:*

- a) Applicability of Standards;
- b) Unbiased Judgment;
- c) Public Accountability;
- d) Management Responsibility;
- e) Promulgation of Standards;
- f) Consistency of Standards;
- g) Internal Controls;
- h) Conflict of Interest.

2. *General Standards:*

- a) Independence;
- b) Competence;
- c) Due Care;

3. *Field Standards:*

- a) Planning;
- b) Supervision and Control;
- c) Study and Evaluation of Internal Control.

4. *Reporting Standards.*

The above stated standards are applicable in conducting audit. It is clear that how the standards are set according to different segments like planning, field audit, reporting, monitoring and supervision. All these segments are taken care of under this codal framework.

In this study while examining the extent of input of independent variables on effectiveness of OCAG, it was crosschecked whether OCAG was capable of following set standards for its own organization. These codes of conduct comprise the area of both functional and operational activities. Among the above listed standards, some relevant items were examined in this study. These are *basic postulates of applicability of standards* (through innovation like SBA), *consistency of standards, all general standards including independence* (application of

innovation in audit planning, setting SBA as type of audit), *competence* (through capacity building program), and *due care* (materiality and risk based analysis) and this study also covers examination of application of OCAG measures in showing its effectiveness in light of field standards of planning and set reporting standards.

Government Auditing Standards (GAS) issued by the Office of Comptroller and Auditor General of Bangladesh reflects similar nature of ethical code of conduct to be followed while auditing. The Bangladesh Standards on Auditing (BSA) issued by The Institute of Chartered Accountants of Bangladesh (ICAB, 2004) consists of some indirect guidelines relating to ensure ethical practice in auditing. While analyzing theoretical basis and shaping the relationship between principal-agent relationship (agency theory) and that of OCAG-Auditee relationship the researcher has tried to examine particularly the following issues:

Whether OCAG is competent in exercising new type of quality audit like SBA. For this the performance was evaluated comparing with all available standards including GAS and BSA. In addition to these, guidance from INTOSAI and other internationalization organization was simultaneously verified;

Capacity building program was initiated by OCAG in collaboration with FMRP and Ministry of Finance which was targeted to ensure competence of auditor and the survey based enquiry was done to check whether OCAG personnel could bring a better output being trained on different issues relating MTBF ministry system audit .

Likewise, supervision and monitoring related codes were also verified according to the role of OCAG in conducting MTBF ministry system audit. And to examine the reporting status, queries were used and data obtained through survey.

In case of other independent variable- Auditee's cooperation, content analysis and survey data will help to reach the interpretations.

Extracting from the above mentioned standards, a summary on the Code of Ethics , which is practiced in case of auditing processes in Bangladesh can be formed which includes the following as general principles to be followed to ensure ethical practice-

1. Integrity;
2. Independence;
3. Objectivity and Impartiality;
4. Competence;
5. Mandate;
6. Political neutrality;
7. Effectiveness;
8. Constructiveness;
9. Professional secrecy;
10. Perseverance;
11. Substantiation;
12. Clear Communication;
13. Responsibilities to the office;
14. Personal conduct.

Analytical Framework

The study intends to find the extent of relationship between OCAG which resembles with its role as watchdog on behalf of the Parliament (Principal) and the auditee which in fact are the budget recipients from the parliament and certainly this recipient group are responsible to ensure the proper use of public funds and they work as Agent of the Principal.

There two major things are involved here:

1. The role of the OCAG as auditor whose prime duty is to ensure the financial propriety in the activities of budget recipients;
2. The responsiveness of the budget recipients in conducting its duties , in ensuring a true and fair view of the accounts and responsiveness towards audit in correction if necessary.

So, for this purpose, one dependent and two independent variables were chosen which are detailed in the following table of analytical framework. For the ease of analysis, the researcher took some particular standards usually maintained in the departmental practices. Considering the time limit and scope of research, this was set in a minimum number and questions were set accordingly. These include- Audit planning; Innovation in setting the Type and nature of audit; Auditor's competence; Supervision, monitoring and control by OCAG, Clear communication and proper Reporting. These criteria were examined using the indicators relating measures taken by OCAG. The other indicators corresponding to the other independent variable (Auditee's cooperation) was examined based on observation, content analysis and responses obtained through questionnaires and interviews.

Based on the theories and concepts, we can draw up the following analytical framework which we are going to use in this study.

Figure -3 Analytical Framework

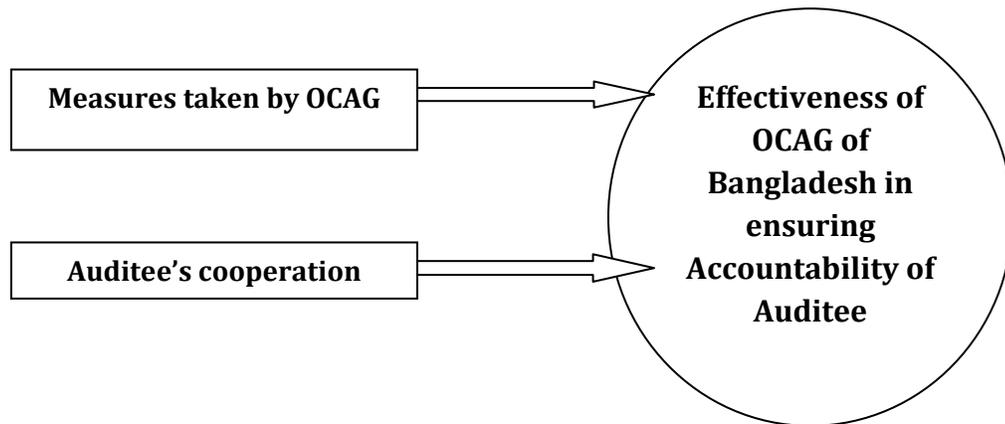


Table 3: Variables under study in the Research

Sl.	Independent Variable	Indicators	Dependent Variable
1.	Measures taken by OCAG	<ul style="list-style-type: none"> ○ Type of Audit ○ Capacity bulding program; ○ Monitoring mechanism ○ Quality Reporting mechanism 	Effectiveness of OCAG of Bangladesh in ensuring Accountability of Auditee
2.	Auditee’s cooperation	<ul style="list-style-type: none"> ○ Compliance with existing rules and regulations; ○ Responsiveness towards newly introduced MTBF budgeting system; ○ Responsiveness towards newly introduced System-Based Audit ○ Responsiveness towards following the audit recommendations. 	

It is relevant to explain here that specifically, the variables operationally have the following meanings:

Dependant variable- It stands for the extent of effectiveness of Office of the Comptroller and Auditor General of Bangladesh (OCAG) in ensuring Accountability in Ministry of Science Information and Communication Technology (MoSICT). Here the ‘effectiveness’ will be measured by changes brought to the activities of auditee, number of non-recurrence of unethical

practice, development in compliance observed in the auditee office, state of activities of auditee in following the audit recommendations etc.

Independent Variables

Measures taken by OCAG – It is measured by indicators mentioned in the above table. Particularly, the very nature and content of System-Based Audit was taken as basis to measure it.

Respondents reacted differently regarding the necessity of System-based audit, the planning process taken by OCAG, about auditee's cooperation, reporting trend of CAG and particularly regarding the monitoring and supervision role of OCAG. The summary of findings are given in the following chapters followed by necessary analysis and interpretation.

Auditee's Cooperation/Role- As MTBF is new approach hence auditee is expected to be more cautious to assist audit in sharing their role in installing, exercising and sustaining new innovative budgeting system. It was observed that compared to the traditional budget papers containing only figures, this new type introduced various guidelines to be followed. It set KPI's and strategical targets which the auditee is responsible to meet.

From this chapter it is clear that there exist significant relationship between OCAG and auditee entity and this relationship can be examined applying the aforesaid Agency Theory. The effectiveness of OCAG in holding the auditee ministry- Ministry of Science, Information and Communication Technology (MoSICT) can be judged by the indicators set to measure the independent variables.

3.4 Conclusion:

The relationship between effectiveness of OCAG and the independent variables are examined based on the framework reviewed in this chapter. The analytical framework demands that the study shows the similarity of bond between audit and auditee as a like relationship reviewed in principal-agent relationship. The later chapter validates the applicability of indicators set against independent variables presenting data and findings of analysis of those data.

Chapter 4 : Findings and Analysis

4.0 Introduction:

The objective of this research was to study on the state of effectiveness of Supreme Audit Institution of Bangladesh, i.e. OCAG in ensuring accountability of auditee ministries. As case study area, Ministry of Science Information and Communication Technology (MoSICT) was selected and data was collected through field survey and interviews.

To get an unbiased view, stratified sampling was used to cover the comments from both of audit and auditee entities. This chapter represents a summarized description of the major findings.

4.1 General Findings:

Prior to brief the findings, it seems relevant to elaborate a couple of lines on the analytical framework of the research exercising which the theoretical framework of the research –the Principal-Agent relationship is intended to be verified. In this study , effectiveness of OCAG is taken as dependent variable and the independent variables are measures taken by OCAG and cooperation of auditee.

4.1.1 Measures taken by OCAG:

Findings obtained through field survey are discussed corresponding to set indicators. The first indicator set was the type of audit. System Based Audit technique in auditing MoSICT and mixing of vouching , compliance and performance measures were taken simultaneously. The findings obtained regarding the compatibility, innovativeness are summarized and like this other indicators are explained in the light of collected data.

a. Type of Audit

Type of audit was chosen as one of the indicators to examine the independent variable- *Measures taken by OCAG*. In ensuring accountability as Supreme Audit Institute (SAI) of Bangladesh, OCAG has taken innovative measures applying special type of audit. One of which is guiding auditors to perform audit covering financial, compliance and Value For Money related issues in conducting audit of specific budget recipients. In response, respondents viewed their preference as follows. Besides collecting the view on the type, preference for audit approach and technique were also verified.

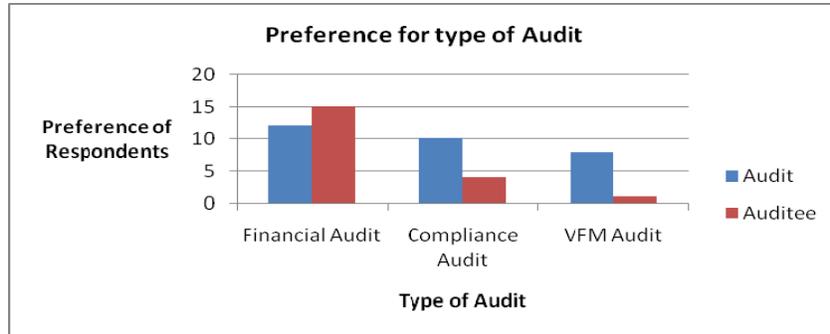
More than 50 percent (54%) respondents opted for financial audit compatible, whereas and in case of choosing technique of audit, vouching system got preference (46%).(See *Annexure 1 for details*). In choosing the innovativeness in auditing applicable for auditing MTBF ministries, respondents showed their affirmative response to System Based Audit (70 percent in case of innovativeness and 52 percent in case of opining that this type of audit is compatible to audit Ministry of Science Information and Communication Technology (MoSICT) which is an MTBF ministry.

As an approach of audit technique, 46 percent respondents opined for voucher based audit, while 32 percent opted for system based audit and remaining 22 percent opined for comprehensive audit.(See *Annexure 1 for details*) . Some of the respondents opined that if necessary, all the three types of audit can be applied simultaneously as per the various activities carried on under the jurisdiction of a line ministry. In some cases it was also observed that a number of respondents opined for both financial and compliance or for both compliance and then VFM audit consecutively.

Some of the respondents opined that if necessary, all the three types of audit techniques could be applied simultaneously as per the various activities carried on under the jurisdiction of the line ministry. In some cases it was observed that a number of respondents opined for proper long term planning allocating enhanced man-days so that comprehensive audit can take place smoothly. They also added that in doing so verification of systems would become more

professionally sound. Regarding accounting system, the respondents said that systems need to be verified first, then compliance and regulatory issues need to be taken care of comprising both the financial and performance related measures for which certain amount of vouching should also be done.

Figure 4- Preference of the respondents for type of audit



Box 3 :System Based Audit (SBA)

System Based Audit was conducted in the Ministry of Science Information and Communication Technology (MoSICT). Several queries were made to the respondents to know their view regarding this measure taken by OCAG. The summary of the findings depicts the following picture.

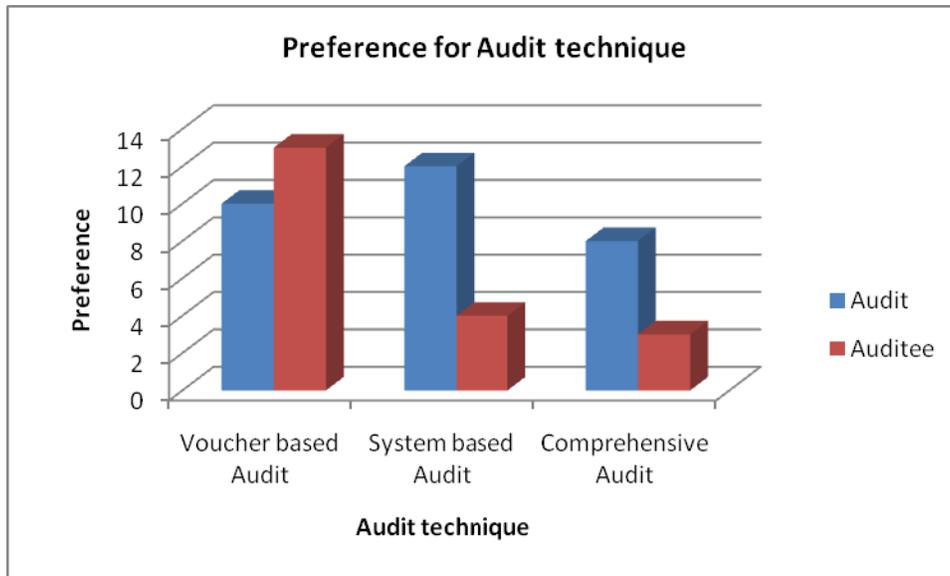
Most of the respondents (70%) acknowledged the innovativeness of SBA (See *Annexure 1 for details*) stated that System Based Audit (SBA) is a new type of audit approach. The collective comments reflect one thing that SBA assists more qualitatively in evaluating any activity. It tests the major systems of the line ministry including accounting, internal control, budget, transportation and store. As Systems are examined here so it can help auditors to shift their view from only quantitative figure-based vouchers.

More than 60 percent respondent commented that this type of audit is applicable in case of evaluating strategies like activities carried on under innovative policy frameworks. While sharing with senior officials, they viewed that it was right decision to carry on SBA audit in MTBF ministries.

Source: Field Data

Figure 5- Preference of the respondents for technique of audit

(n=30)



Responses towards innovativeness of SBA shows mixed views. Some responses indicate that SBA is comparatively better but simultaneously some of them said that type of audit is not the only matter, OCAG can even work on accountability properly applying the traditional techniques.

Respondents viewed this matter adding the following statements -

1. SBA cannot be an innovation. It is more or less used worldwide. But it can be considered as proactive approach of the OCAG of Bangladesh to exercise such tools to ensure fairness of the financial statements and other physical and financial reports prepared in response to the allotted budget to the authority;
2. It is time consuming and need additional manpower, time and effort;
3. It tends to verify the systems; hence the performance output can also be checked. For example- as KPIs are set for MTBF ministries where certain benchmarking was done, those can be evaluated through the gaps observed in the systems and this is done in a macro policy-based perspective.

Responding to question relating compatibility of SBA to audit the MTBF ministries ,respondents emphasized that it is not a prior question that which should be the type of audit rather, the implementation and follow-up should be consistent.

View of respondents regarding features of System-Based Audit

Three options were provided for the respondents to find out if there is any particular feature of System-Based Audit which was chosen by OCAG in auditing MoSICT and if exists any such criteria. Officials working in audit organizations/sections specifically pointed that as this type of audit can identify the risks in the systems then materiality analysis can be done in a better way. For illustration some of the interviewee referred to different previous audit examples. Regarding budget process their comments reflect that instead of traditional incremental budgeting, MTBF type strategy based is a better option and to prepare such a budget, the way should be systematic as per the policy guidelines. Hence, if the budget planning goes systematically, then the link systems like estimate, distribution of budget then its accounting and such other systems should follow it accordingly. SBA can then make the simultaneous and post- both type of checking and monitoring of the flow of the activities there.

Table 4: View of respondents regarding features of System-Based Audit

Statement	Respondent's view		
	Yes	No	No comment
It can help identifying major and minor risk areas in the systems	35	5	10
The systems working in the auditee entities can be evaluated with enhanced quality	30	10	10
Starting from Principal Accounting Officer to all other budget recipients organizations can be held accountable through detection and presentation of the deviations in major systems including Budgeting, Procurement, Accounting, Internal control mechanism,Project management etc.	35	5	10

Table 5: Comparison of SBA planning with traditional audit according to economical and functional code based budget analysis

(n=25)

Respondent's Comment	Not Sufficient	Partially Sufficient	Fully Sufficient
	10	8	7
%	40%	32%	70%

b. Capacity building program

It is to be noted that under Financial Management Program (FMRP), Component 1 of the project assisted in conducting the capacity building program which was guided by *MTBF System Audit Training Protocol*. The purpose of the training was to create a core group of staff in the audit directorates who are capable of performing audits using modern techniques after the project ends thus ensuring sustainability of the tool used. This protocol applies to all those individuals who were selected to work on MTBF system audits of a line ministry in a related audit directorate under OCAG.

With respect of capacity building, the study also received some comments a summary of which are given below:

- The training was good. But there was hurry and mismanagement sometimes. Field audit timing was hampered due to unusual timing of the training and also the training itself was interrupted due to simultaneous audit related work;
- A number of trainees got training a new software called IDEA (Interactive Data Extraction and Analysis) but this was not applied in field auditing which made the effort output less;
- Materiality analysis helped auditor in prioritizing the risk areas in the ministry and its subordinate offices.

It needs mentioning here that capacity building program regarding MTBF ministry system audit was post evaluated by this study. Most of the respondents viewed this program as good input to the activities of OCAG along with line ministry personnel to become competent in dealing with new system of budget preparation, implementation of work and evaluation in the long run. This capacity building program made public officials more equipped in ensuring accountability.

The survey data also shows some positive comments of respondents regarding appreciable features of this program. This is showed in the table below-

Table 6: View of respondents regarding features of capacity building program

Statement	Yes	No comment
Training on MTBF	20	10
Workshops and Seminars	15	15
Training on Automated Accounting systems (TAS, i-BAS)	20	10
Training on IDEA	10	20
System-Based Audit	30	-
Materiality analysis	30	-
Risk analysis based on Economic and Functional code	26	4
Audit planning to verify the attainments according to MTBF objectives of line ministry	18	12

The study found that effectiveness of the capacity building program also was appreciated by participants. More than fifty percent (52%) respondents opined that the program was effective as it assisted trainees to conduct the intended audit in a better manner. It is relevant to analyze the cause of nonresponses which is almost about 40 percent. It might be due to the nature of question raised showing some close-ended questions. Respondents who are working now in audit other than System Based Audit might not feel encouraged to show possession or non-possession in this regard.

Table 7: View of respondents regarding the effectiveness of capacity building program

(n=30)

Respondent's Comment	Yes	No	No comment
	16	4	10
	52%	8%	40%

c. Monitoring Mechanism

To monitor or monitoring generally means to be aware of the state of a system. OCAG, as watchdog of the public account needs to exercise this function with propriety so that the ultimate goal of ensuring accountability of using public funds can be achieved. Ultimate goal of audit work is to inform the parliament about the expenditure from public funds, which is done by the submission of audit reports by Comptroller and Auditor General of Bangladesh. Here it was echoed in the respondent's voices that in this area there is visible lacking on part of OCAG. The weaknesses pointed by the respondents primarily indicated the weakness in selection of audit paras to be included in the audit report which are submitted to PAC for discussion, the gap between audit directorate's report and quality assurance of those by OCAG and OCAG's weak follow-up and monitoring mechanism.

Some responses reflect that after submission of Local Inspection Report (preliminary report to OCAG), further activities was not satisfactory; specifically the lengthiness in the part of OCAG was blamed;

It was alleged by around 50 percent respondents that sometimes audit files, position of audit objections are not traceable which is due to lack of effective monitoring mechanism of OCAG

Box 4: Comments from the responses

One of the interviewees commented that OCAG should be more proactive and communicative in advancing the later works and follow-up. He mentioned that one backlog there is that the Parliamentary bodies are not always found compatible .He mentioned about the lengthiness of forming the Public Accounts Committee (PAC) and also the sessions output comprised of the following major areas-

- There is lack of secretarial and personnel support to maintain a steady communication with PAC;
- If political executives do not take care properly and do not held themselves accountable, then OCAG cannot be capable of showing its role in ensuring accountability of the budget recipients from the public fund which is in reality the money of the taxpayers.

Source: Interviewee: Ex- CAG of Bangladesh

Table 8: View of respondents regarding the effectiveness of capacity building program

<i>Respondent's Comment</i>	<i>Not Sufficient</i>	<i>Partially Sufficient</i>	<i>Fully Sufficient</i>
	20	5	5

It is to be noted here that OCAG exercises a regular monitoring system in the operational level that is in the audit directorates. Reminders are sent regarding audit objections from the directorates to the auditee. But in this regard deviations are mostly observed and opinion obtained to accuse the auditee entities. For example it is said that auditee, particularly the

ministries show careless attitude in following the audit recommendations which is to some extent common attitude among some of the autonomous bodies and development projects. Recurrent reminders are sent but it is a usual habit to not adhere the audit directions . The auditee does not submit complete data or evidence always. So it lingers the duration of accountability process lead by OCAG.

Table 9: Sufficiency of monitoring activities through recurrent Reminders from audit to settle audit objections
(n=50)

Respondent's Comment	Yes	Sometimes	No
	15	12	23

Box 5: Comments regarding monitoring activities of OCAG

OCAG must enhance its monitoring activities. Some often it can be done that one audit team can be verified by secondary team. And regarding audit objections, all possible areas including Directorates, OCAG , Auditee and PAC can be kept under consistent monitoring, followup and supervision

Source : Interviewee- Ex- CAG of Bangladesh

d. Quality Reporting mechanism:

Reporting is the most important and mostly talked issue in audit activities. Here it relates the role of PAC and issues particularly of monitoring, supervision and follow-up also. It was commented that the MTBF ministry system audit showed improvements in the quality of audit objections. Systems were covered under competent scanning. The way of reporting through the inclusion of

management letters to the PAO and heads of the autonomous bodies and development projects was praised.

It seems from the study that the reporting quality enhanced by the measures taken by OCAG in preparing the audit reports of MTBF Ministry System Audit. It is revealed that the OCAG’s role was here was rather passive in this sense that the junior, mid and some of the senior level officials particularly provided a good input in making a better quality audit report. Credit goes to the operational level of the audit, but queries remain as information regarding the fate of that audit report was not clearly answered. It seemed that after reporting, further responsibilities were not properly taken care of.

One of the senior ex-audit officials negatively commented on the quality of the prioritization of audit objections, OCAG’s communication with both the auditee and audit personnel and also with PAC for final outcome of audit objections raised.

The respondents who replied in affirmative regarding effectiveness of audit reports seem significant. They opined that there seems to be change in the shape and presentation of audit reports but in case of content, there exists gaps in prioritization of the audit objections which will be included in the final audit report vetted by OCAG, and which ultimately will be discussed in the PAC meetings.

Table 10: Effectiveness of Audit reports prepared by OCAG

(n=50)

<i>Respondent’s Comment</i>	<i>Effective</i>	<i>Partially Effective</i>	<i>Fully Effective</i>
	20	11	19

Besides opinion on the quality of audit reports, responses were found stating that the bottom line where OCAG audit report stands is at least preventing fraud and corruption to some extent. This indicates that in attaining the ultimate goal of accountability OCAG bears lacking. It was stated that audit directorates submit AIR to OCAG. While proceeding through quality assurance, some audit observations of full merit do not get rationale consideration and attention of OCAG. Such lacking is observed in prioritizing the audit objections to be discussed in the parliament. The result is some less quality paras are talked but some vital areas remain untouched. The initial report from field audit is called Audit Inspection Report (AIR). This AIR reaches as final Audit Report being quality assured and vetted by OCAG. There were some information obtained from the respondents in this regard.

BOX 6 : Issuing quality Audit Inspection Reports (AIR); Some Different Opinion

In this regard some of the responses comprise the view that the MTBF oriented SBA Report was something new, different. Most of the problematic, incorrect, preventable area were detected and examined, and quality of the audit paragraphs was assured phase-wise by the then working Development Partner (DP) , Financial Management Reform Program (FMRP) in association with both the OCAG, line ministries and the Ministry of Finance.

Source :Field data

Compatibility of audit reporting by OCAG to PAC and its follow-up-

Audit reporting is the ultimate operational target of OCAG whereas to ensure accountability OCAG needs to functionally act properly to hold the corrupted personnel accountable before PAC and show its effectiveness. The results show that in a significant extent the audit reports are being praised . A summary is given in the following table.

Table 11 : Comments on satisfaction on audit reports by OCAG

(n=50)

Respondent's Comment	Not Satisfactory	Partially Satisfactory	Fully Satisfactory
	9	13	28

4.1.2 Auditee's cooperation :

The extent of dependence on this independent variable was examined using 4 different indicators. It was found that on an average the auditees are not complying with existing rules and regulations. Most of the auditees claimed that they have welcomed MTBF as budgeting framework in their ministry and also they were cooperative to deal with auditors of MTBF Ministry System Based Audit.

a. Compliance with existing rules and regulations

In general auditees said that they are maintaining their activities following applicable rules and regulations. But audit commented in a different way. Compliance with rules and regulations is an implied task of any public official. In reviewing the audit report (AIR) it was found that in most cases auditee personnel did not show regularity in complying with the rules and regulations applicable in performing different activities. These activities include different systems like-budgeting, pay and allowance, grants-in-aid, procurement, research etc.

The recurrence of same deviation in the sound practice relating financial matters indicate the ignorance of auditee in acting properly in compliance related issues. It was found from survey data that 38percent of the respondents opined that auditees are not responsive in facing compliance issues.

Table 12: Responsiveness of auditee in compliance issues

(n=50)

Respondent's Comment	Not Responsive	Moderate	Responsive
Audit	17	7	6
Auditee	2	3	15

Proactiveness is a later activity compared to the existing status of responsiveness of the auditee. Extent of consciousness of the auditee ministries was examined and it was found that a significant portion opined negatively . Auditees were not found satisfactorily responsive to audit observations/objections.

Table 13: Extent of consciousness of the auditees and ministries

(n=50)

Respondent's Comment	Not much	Medium	Very much
Audit	20	7	3
Auditee	2	6	12

Regarding state of regularity of auditee in responding towards compliance issues respondents answered affirmatively.

Table 14: Regularity in responsiveness of auditee

(n=50)

Respondent's Comment	Not much	Moderately	Very much
	25	5	20
	50%	10%	40%

b. Responsiveness towards newly introduced MTBF budgeting system:

It was observed in the study that the auditee claimed that they are proactively working being guided by the MTBF budgeting guideline. While they were asked to what extent they were responsive the responded as follows:

Table 15 - Responsiveness of different auditee bodies under MoSICT

(n=50)

Auditee sub-entities	Less responsive		Moderately Responsive		Fully responsive	
	Audit	Auditee	Audit	Auditee	Audit	Auditee
Secretariat	15	0	7	2	8	3
BAEC	19	2	8	2	3	1
BCSIR	24	3	6	1	0	2
BCC	14	0	12	0	4	2
Development project personnel	5	0	15	1	10	1

c . Responsiveness towards newly introduced System-Based Audit :

Table 16 : Responsiveness towards newly introduced System-Based Audit

(n=50)

Audit technique	Voucher based Audit	System based Audit	Comprehensive Audit
Audit	10	12	8
Auditee	13	4	3
%	46%	32%	22%

d. Responsiveness towards following the audit recommendations :

Recurrence of similar wrongdoings was found in more than 50 % cases. The areas where development was not done and the cause behind this was found from the responses.

Overall Responsiveness of Auditee-

Recurrence of similar wrongdoings was found in more than 50 percent cases. The areas where development was not done and the cause behind this was found from the responses.

Table 17: Overall Responsiveness of Auditee:

Areas of audit objection	Comments regarding the cause of noncompliance
Less achievement in fulfilling target	The line ministry data is not properly and timely disseminated to the subordinate entities so achievement is hampered
Lack in management of funds allocated against different programs	Due to weakness in planning Sometimes it found over ambitious and some often prioritization was not sound.
Maintenance of unspent balance	Due to proper monitoring both in pre-auditing and post-auditing
Management of Grants-in-Aid and its accounting	This includes a bulk of money of the allotted budget. Due to careless exercise of General Financial Rule, it is being hampered.
Anomalies in System	Reluctance and negative mindset towards innovative approach

4.2 Findings obtained through Analysis-

The data from the study presented in the above paragraphs reflects the survey results. Researcher felt it relevant to project and to interpret the findings applying possible statistical analysis. In the above data presentation segment, summarization of data, use of percentage, some graphical representations reflecting the comments of the respondents on System Based Audit, about the compatibility of SBA related capacity building program, monitoring status of OCAG and the audit reporting quality and some other relevant issues. In auditee side the state of responsiveness of auditee towards compliance related directions, MTBF, SBA and particularly towards audit recommendations. The intended analyses include-

1. Measures of location;
2. Measures of dispersion
3. Correlation analysis;
4. Chi squared test (χ^2 test);
5. Other tests.

Based on the more assertive comments of the respondents than negative responses this interpretation was reached. It has been found though the responses reflect that there is more support to continue financial audit (46%) compared to SBA (32%) but responses reflect assertive possession for mixed approach keeping SBA as a common element. So, it can be concluded that measure regarding choosing the type of audit by OCAG is effective to be applied to ensure accountability of MTBF ministry- MoSICT.

It seemed that the assumption that capacity building program enhances the competence of auditors of OCAG is validated and tested comparing the quality of planning, execution of audit and reporting as auditor's report with other audit reports on the same ministry – MoSICT expenditure for other financial years. Including to responses from survey data, it was revealed that the capacity building initiatives resulted in examining the systems of MoSICT in a better manner.

So this reflects the effectiveness of OCAG in ensuring enhancement of competence of its auditors to perform better quality audits to hold the target auditee accountable both in general and specific issues and systems;

Monitoring mechanism of OCAG to ensure accountability of the auditee of MoSICT was not to be found sound. And from survey and interviews it is to be deducted that the monitoring mechanism of OCAG is not satisfactory. For example, the Local Audit Report (LAR) on MoSICT expenditure of financial year 2007-08 was issued on time. It was followed by rigorous step by step communication procedure with the auditee entities from the part of FMRP led MTBF ministry system audit team personnel and particularly by the audit directorate – Local Audit Directorate but further processing of this report was not visible in the part of OCAG.

Regarding satisfaction on quality of audit reports produced by OCAG respondents indicated a mixed view. It is clear that MTBF ministry system audit reports gathered different approaches and collectively reported the anomalies on specific audited systems, which is usually not seen in the traditional audit reports. But, the issues concerned here to be noted is that in spite of quality assurance in the operational level, the follow-up process lacked in motivation and interest to generate enough pressure to reach the ultimate goal of OCAG to hold the auditee accountable through parliamentary mechanism ;

In examining that -extent of responsiveness of auditee in complying with rules and regulations is satisfactory, it has been found that generally the auditee is not satisfactorily responsive, but it varies from organization to organization. Bangladesh Computer Council (BCC) was found to be more responsive compared to Bangladesh Center for Science and Industrial Research (BCSIR) which was found to be very poorly responsive. These two are the major autonomous bodies working under MoSICT.

It is has been observed and responses from survey collectively reflect that generally MoSICT personnel were responsive, but negative attitude of BCSIR can be mentioned specifically with regard to the responsiveness of MoSICT personnel towards MTBF ministry system audit which

was found moderately satisfactory . The responsiveness of MoSICT personnel in following audit recommendations was assumed to be found satisfactory. But physical verification, comparison and further content analysis negate this assumption. Recurrence of same deviation in different areas is yet present in the auditee activities. It was assumed that as MTBF framework guides to ensure internal control in the ministries first, so audit expected better scenario in the management level of the line ministries. System Based Audit added valuable guidance to the auditees showing vulnerable and risky material areas of major systems. In innovative way, management letters were issued to PAO and head of the autonomous bodies and development projects stating the major management related issues apart from traditional figure- based accounting data

Role of OCAG in collaborating with PAC is satisfactory-this was another global assumption. This null hypothesis was rejected as respondents viewed this negatively and with dissatisfaction. They stated that there is lack in competency and acceptability of final content to be discussed in the parliament. The gap remains in prioritization of audit paras to be included in the report, might be due to lack of attention or competency ,ill practice or some unknown reasons.

Finally the assumption that measures taken by OCAG is sufficient in holding MoSICT accountable can be partially accepted as some measures are found fruitful and some not. It is such that preparation, approach, operation and reporting is done well by OCAG but there remain lagging in continuing the further step of the process which is follow-up and monitoring . It might happen due to reluctance of OCAG in approaching to assure sustainability of programs taken by previous office heads and management.

4.3 Other Findings from the Study:

Apart from the set questions, while sharing through interview, some other relevant areas were examined and also additional spontaneous comments and statements were found from the respondents. In a nutshell those are shown below:

4.3.1 SBA planning process:

The responses reflect that the audit planning was up to the mark, identification of vulnerability was also performed but may be the deficiency lies with the further advancement of audit objections through OCAG, PAC and finally the line ministry.

a) *Innovation in Audit planning-*

It is stated that there was innovation and better effort in planning this particular audit. What are such innovations or betterment?-this is elaborated in the following table.

Table 18: Innovation in Audit planning

Statement	Yes
Macro and micro level economic and functional code wise risk analysis	
Study of Materiality	
Study on the policy guidelines, budget papers of MTBF ministry particularly emphasizing the Key performance Indicators	

It was also stated by the respondents that enhancement of the efficiency of the auditors through planning to act properly as agent of the parliament in assessing newly introduced budgeting approach in the MTBF ministries was achieved . Around 60 percent of the respondents responded in the affirmative.

Table 19 : Enhancement of the efficiency of the auditors through planning to act properly as agent of the parliament in assessing newly introduced budgeting approach in the MTBF ministries

(n=30)

Respondent's Comment	Yes	No	No comment
	18	4	8
	60%	13%	27%

b) Complementary role of PAC-

Public Accounts Committee (PAC) is that very parliamentary committee which takes care of the ultimate fate of audit objections briefed in the audit reports. OCAG representative participates in this meeting and explains audit objection and its merits. Auditee is given floor to justify his or her arguments. It is to be noted here for the convenience of the readers that in reality unless PAC acts properly, OCAG cannot reach its ultimate objective. Dependence of OCAG on PAC role is stated in the following table.

Table 20 : Dependence of effectiveness of OCAG on role of PAC

Respondent's Comment	Yes	Partially	No
	10	15	25

Following the above picture it is evident that following up the PAC recommendations is responsibility of both audit and auditee particularly of auditee. But from the study it was found there exists negative views regarding this.,

Table 21: Status of implementation of PAC recommendations

Respondent's Comment	Yes	Partially	No
	10	13	17

4.4 Overall interpretation:

1. A proper planning was done to audit MoSICT. Using a Top-Down approach starting from line ministry secretariat to the field auditee entities was reached and audited. Risk areas were identified properly and loopholes was identified ;
2. Capacity building was satisfactory. By this trainees became competent for conducting the special type of audit. In order to make auditors IT-equipped special types of softwares also taught but the continuity of the program ,sustainability could not be claimed;
3. OCAG applied innovative approach like SBA. It resembled with OCAG's exercise of basic postulates and other standards including- applicability of audit standards. promulgation of standards, independence, and competence. But the code of consistency of standards was not ensured ;
4. Audit communication and field audit was done following sequential reporting. Auditee management was communicated using quality tool of entry meeting, management letter, exit meeting, etc. And from the study it seems that the quality of audit report was enhanced;
5. However, it was found in the study that further follow-up was not found satisfactory. Though it is counted in the field standard, the study indicates that exists lack in the functional part or senior level part of OCAG activities. Starting from planning to execution of audit operational level personnel provided optimum labour. The AIR was

prepared by audit directorate giving rigorous effort but the pace of further processing of this audit report found slowed or stagnant in part of OCAG;

6. Monitoring and supervision was found to be weak. It seems that the field standard of supervision and monitoring was not exercised properly;
7. PAC needs to be more activated. This study cross checked and found that PAC is not found much proactive in welcoming the sessions on hearing on audit. PAC itself is not also that much capable of meeting its responsibilities as the PAC meeting outputs are considered as recommendations of PAC. Hence, if the accused auditee continue behaving nonresponsive in solving the audit objections and PAC does not bear any further responsibility then all the efforts will remain in vain;
8. OCAG is not much competent in communicating with PAC and auditee to continue follow-up. Here though it seems that standard of competency of OCAG found hampered but one comment is relevant to be reviewed in this regard that OCAG even not satisfactorily equipped to do this job accurately. There is neither any specific permanent secretariat or set –up which can work as link between OCAG and PAC;
9. Auditees are reluctant. The recurrence in the same deviations in different systems reflect this assumption. ;
10. OCAG needs to be more cautious in improving scenario of accountability with more emphasis on continuous monitoring and follow up.

4.5 Conclusion :

Based on the findings obtained through survey and interviews it is evident that the research recommends to accept the voice of the respondents regarding the necessary development required to enhance the effectiveness of OCAG in monitoring and follow-up related issues. And further research in this regard will definitely add value to the sphere of accountability studies.

Chapter 5: Conclusions and Policy Implications

5.0 Conclusion:

The study intended to find the extent and state of effectiveness of OCAG in ensuring accountability of auditee one particular line ministry of the Government-MoSICT was chosen where OCAG performed System Based Audit (SBA) and this task was evaluated as a case for this study. The effectiveness of OCAG in ensuring accountability was examined using i variables of: measures taken by OCAG and Auditee's cooperation. In this context, several indicators were set including type of audit, capacity building program, monitoring and reporting mechanism of OCAG, auditee's compliance with rules and regulations, responsiveness of auditee towards, SBA, MTBF system and following the audit recommendations by auditee.

The research ended with two types of findings-one based on a macro perspective, the other on micro perspective. Covering the strategic matters, macro items was examined and the operational activities was researched both in audit and auditee areas. The analysis of the overall data reflects that under the new system Systems Based Audit the measures taken by OCAG was timely, audit was done with better performance; but due to lack of monitoring and follow up, the efforts resulted in less successful output. It can be said that effectiveness of OCAG does not depend on any sole authority or mechanism or independent issues. Concerted efforts only can lead to an accountable public financial management system and this will be done more effectively by OCAG.

The micro findings show the betterment in the change of mindset of the personnel working in the operational level. Development in the audite portion was also observed. The systems are being developed as the end result.

5.1 Policy Implications:

1. The issue of accountability should get priority in both of the offices of auditors and of auditee;
2. OCAG needs to be proactive. It is a common phenomena that auditee may act reluctantly or unwillingly to continue responding as per the suggestions of OCAG audit but it is OCAG's responsibility to enhance capacity of communicating with PAC for acceleration of the activity of monitoring, follow-up and supervision;
3. The line ministries need to be more responsive. The common culture of non-adherence to the requisites of the audit needs to be changed. The recurrence of similar deviations either in financial matter or management related issues indicates the weakness of internal control of the auditee entities;
4. In operational level of both audit Directorates and OCAG competency and efficiency needs to be ensured in better manner;
5. The quality assurance of included audit paras for discussion in the PAC meeting needs betterment;
6. Permanent secretarial mechanism needs to be established to strengthen link between OCAG and PAC.
7. Further research needs to be done using more time which can cover the total budget flow of line ministries treating the ministry as a whole, a holistic approach can be taken to further see whether audit can end with particular performance measures in relation to the achievement of MTBF line ministries in fulfilling targets.

5.2 The Way Forward:

The study shows that though budget is the prime mechanism in the initiation of the public financial management process, line ministries are yet less competent in ensuring the better management in this regard. Besides, as core actor in accountability mechanism of the state, OCAG has to show expected efficiency and effectiveness. As this is a new horizon to be researched, further study, exploration and research regarding effectiveness of OCAG in ensuring

accountability has a wide scope. Such addition of studies in this regard is expected to perform more variable comparisons. It will definitely assist the policy makers and other stakeholders in both functional and operational level and as positive consequence better effectiveness of the organizations and accountability will be achieved.

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Annexure 1

Tables related to independent variables- ‘Measures taken by OCAg’ and ‘Auditees Cooperation’

1.1 Preference of the Respondents for type of audit

Table 1.1 - Preference of the Respondents for type of audit

{n=50= Audit (30), Auditee (20)}

Type of Audit	Financial Audit	Compliance Audit	VFM Audit
Audit	12	10	8
Auditee	15	4	1
%	54%	28%	18%

1.2 Preference of the Respondents for technique of audit

Table 1.2- Preference of the Respondents for technique of audit

(n=30 Audit n=20 Auditee)

Audit technique	Voucher based Audit	System based Audit	Comprehensive Audit
Audit	10	12	8
Auditee	13	4	3
%	46%	32%	22%

1.3 Responses towards innovativeness of SBA

Table 1.3 – Responses towards innovativeness of SBA

Respondent's Comment	Yes	No	No comment
Audit	20	5	5
Auditee	15	5	-
%	70%	20%	10%

1.4 View of respondents regarding the duration of capacity building program

Table 1.4: View of respondents regarding the duration of capacity building program (n=25)

Respondent's Comment	Not Sufficient	Partially Sufficient	Fully Sufficient
	7	8	10
%	70%	20%	10%

Annexure 2 : Major Audit observations obtained through SBA on MoSICT

a. Budget Allocation for MoSICT:

2.1.1 Agency wise Budget distribution:

(in lakh taka)

Sl. No	Name of the Agency	Initial allocation for 2007-08			Revised allocation for 2007-08		
		Non Dev	Dev	Total	Non Dev	Dev	Total
1	Secretariat	776.19	1686.00	2462.19	777.59	495.00	1272.59
2	International Organizations	29.79		29.79	29.29		29.29
3	Bangladesh A. Energy Com.	4910.34	1470.00	6380.34	5055.38	1445.00	6500.38
4	B. Council for Sc & Industrial Research (BCSIR)	3482.52	279.00	3761.52	3550.45	786.00	4336.45
5	Bang. Computer Council (BCC)	298.98	930.00	1228.98	298.98	778.00	1076.98
6	.N.Sc.& Tech. Inf. C&D Center (BANSDOC)	180.47		180.47	199.33		199.33
7	National	174.13		174.13	178.88		178.88

	Museum of Science.& Tec (NMST)						
8	National Sc. & Tech Council	57.00		57.00	57.00		57.00
9	Research grant	27.50		27.50	27.50		27.50
10	Other Associations	12.00		12.00	12.00		12.00
11	Nat. Fellowship Programme	45.00		45.00	145.00		145.00
12	Science & Techno. Programme	1428.00		1428.00	700.00		700.00
13	Dev. Projects (A. bodies)		7075.00	7075.00		7378.00	7378.00
14	Dev. programme out of rev. budget	143.78		143.78	130.53		130.53
	Total	11565.70	11440.00	23005.70	11161.93	10882.00	22043.93

i. Economic Code wise receipt and expenditure break up:

Legal Code	Economic Code	Particulars	Value
1 (Receipt)	1632	Interest on House Loan	283,844.40
	1633	Interest on Computer Loan	23,152.00
	1634	Interest on Motor Car Loan	3,250.00
	1635	Interest on Motor Cycle Loan	43,790.15
	1636	Interest on By-cycle Loan	188.00
	1911	Forfeitures	40,000.00
	2037	Use of Government Vehicles	14,180.50
	2117	Recoveries on Account of Titas Gas	400.00
	2366	Tender and Other Documents	222,490.00
	2601	Contribution for Pensions and Gratuities	13,404.69
	2611	Leave Salary Contribution	15,069.23
	2671	Recovery of Overpayments	61,975,032.44
	2681	Miscellaneous Receipts	15700541.15
3901	House Building Advances	527527	

	3903	Computer Advance	117,541.66
	3911	Motor Car Advances	149,500.00
	3921	Motor Cycle Advances	254,065.83
	3931	Bicycle Advances	9,770.00
		Total	79,393,747.05
3 (Payment)	4500	Pay of officer	6,605,099
	4600	Pay of Establishment	2,919,106
	4700	Allowances	5,816,902
	4800	Supply & Services	4,159,712
	4900	Repair & Maintenance	544,966
	5900	Grant in Aid	991,073,673
	6100	Subscriptions to International Organization	1,385,000
	6300	Pension	3,589,395
	6600	CDP & Unallocated	25,022,286
	6800	Asset collection/Procurement	5,977,737
	7400	loans & Advances	1,144,000
		Total	1,048,846,529

5 (Payment)	4501	Pay of Officers	333,894	
	4601	Pay of Establishment	415,730	
	4795	Other Allowances	719,348	
	4899	Other Expenses	2,174,052	
	4916	Machineries & Equipment	198,523	
	6601	Completed Development Projects	150,000	
	6602	Special Programme	17,437,000	
	6681	Unallocated Block Allocation	126,209,000	
	6851	Others (Procurement)	291,552,092	
	7016	Other Buildings and Structures	4,148,664	
	7901	CD / V A T	85,638,270	
	7981	Miscellaneous Capital Expenditure	492,390,300	
		Total	1,021,366,872	

2.2 Implementation status of MTBF budgeting:

(in lakh taka)

	Estimated Budget	Revised Budget	Actual exp	Un spent	%
Non dev	7,76.19	7,77.59	4,46.34	3,31.25	42.60
Dev	1686.00	4,95.00	96.04	3,98.96	80.60
Total	12,72.59	12,72.59	5,42.38	7,30.21	57.37

2.3 Ministry of Science and Information & Communication Technology

Account Summary for the year 2007-08

(Tk.in lakh)

Sl.no	Subject	Budget	Expenditure	variation
1	Secretariat			
(a)	Pay of officer	128.00	66.05	61.05
(b)	Pay of establishment.	37.00	29.19	7.81
(c)	Allowances	69.11	58.16	10.95
(d)	Supply& services	72.96	36.44	36.52
(e)	Repair & maintenance	4.00	3.51	0.49
(f)	Pension & Gratuity	21.48	35.83	(-)14.35

(g)	Block allocation	400.00	185.94	214.06
(h)	Procurement	20.00	19.78	0.22
(i)	Loans & advances	25.04	11.44	13.60
(j)	3 Projects:	495.00	96.04	398.96
Total Secretariat		1272.59	542.38	730.21
2	Autonomous bodies			
(a)	B. A. E. Commission	11204.38	11646.00	(-)441.62
(b)	B.S.I.R.C (Sc. lab)	5017.45	4967.55	49.90
(c)	BANSDOC	199.33	198.95	0.38
(d)	N. S. & Tech. Museum	578.88	213.62	365.26
(e)	B. Computer Council	2669.98	2369.69	300.29
(f)	N. S. & Tech. Council	57.00	40.28	16.72
(g)	Research Grant	27.50	18.82	8.68
(h)	Other agencies	12.00	10.10	1.90
(i)	N. Fellowship Program	145.00	72.52	72.48
(j)	Sc. & Tech. Program	700.00	530.83	169.17
Total Autonomous bodies		20611.52	20068.36	543.16
3	International Org.	29.29	13.86	15.43
4	Dev. Prog from revenue budget			
(a)	Secretariat	41.75	13.18	28.57
(b)	B. Computer Council	88.78	64.28	24.50

Total dev prog from rev budget	130.53	77.46	53.07
Total Ministry's account	22043.93	20702.06	1341.87

Annexure 3

Questionnaires for survey and interview

Questionnaire

Information about the Respondent:

1. Name:
2. Job Title and Office: Audit & Accounts Officer
3. Academic Qualification: M. Sc. (Agriculture), Continuing Studying ACCA

General Questionnaire:

(Please *tick* or *write* as the response requires)

1. In order to provide the Parliament with relevant information on all aspect of Government's functioning, the Office of the Comptroller and Auditor-General of Bangladesh (OCAG) undertakes three basic types of audits- Financial audit, Compliance audit and VFM audit. Of these which you think most appropriate to make auditors effective to ensure accountability of the auditee?

- Financial audit Compliance audit VFM audit
- Additional comment (if any)

VFM audit is also good

2. Which approach of auditing do you prefer among the following?

- Voucher based audit System-based audit Comprehensive audit

3. System-Based Audit – a new approach of audit was used to conduct audit in ministries under Medium Term Budgetary Framework (MTBF). What do you know about this type of Audit? Please put your comment in brief.

This is a new approach. It tested the major systems of the line ministry including Accounting, Internal control, Budget, Transportation and Store.

4. ‘System-Based Audit is an innovative type of audit’-Do you support this comment?

Yes No No comment

Additional comment (if any)

5. Do you think System-Based Audit can enhance the ability of OCAG to make auditee accountable?

Yes No No comment

6. If your answer to the previous question is ‘Yes’ then please comment how System-Based Audit can enhance the ability of OCAG to keep the auditee accountable?

It can help identifying major and minor risk areas in the systems

The systems working in the auditee entities can be evaluated with enhanced quality

Starting from Principal Accounts Officer to the all other budget recipients organizations can be held accountable through detection and presentation of the deviations in major systems including Budgeting, Procurement, Accounting, Project management etc.

Other comments (if any)

7. What do you know about Medium Term Budgetary Framework? Please write in brief.

This is a new type of budgeting. It deals with program-based budgeting and it is rolling budget.

8. How much do you feel MTBF effective for ensuring better financial management and quality work utilizing its strategic type of planning? Please write in brief.

No response

9. System-Based audit was used to verify the major systems observed in the MTBF Ministry. Do you think this could bring better result in finding anomalies and lacks in the auditee Ministry?

Yes No

Comment (If any)

10. In order to enhance competency of the auditors, capacity building initiatives were taken with the assistance of a development partner – Financial Management Reform Program. What type of capacity building program was conducted to train auditors to conduct System-Based Audit in MTBF Ministries?

Training on MTBF

Workshops and Seminars

Training on Automated Accounting systems (TAS, i-BAS)

System-Based Audit

Materiality analysis

Risk analysis based on Economic and Functional code

Audit planning to verify the attainments according to MTBF objectives of line ministry

Comment (If any)

The training was good. But there was hurry and mismanagement sometimes. Field audit timing was hampered due to unusual timing of the training.

11. What was the duration of capacity building program conducted to train auditors to conduct System-Based Audit in MTBF Ministries?

Not Sufficient

Partially Sufficient

Fully Sufficient

1

2

3

4

5

12. Did you get any type of training in this regard? Please mention the type of training.

Yes I got training

13. Do you think that those training were effective to enhance the effectiveness of auditors in auditing the MTBF ministries?

Yes

No

No comment

Additional Comment (If any)

14. According to your observation, what are the good features of the capacity building programs in complying with the goal of OCAG in ensuring accountability of auditee in MTBF ministries?

Classes on audit planning and materiality was good.

15. Have you participated in the audit planning process of any MTBF ministry?

Yes

No

If your answer is 'yes' then mention the name of the Ministry you were involved in the audit planning process.

Ministry of Agriculture

16. Were there any innovative input/measures in the audit planning for auditing MTBF ministries?

Yes No

If your answer is 'yes' then please mention such some measures-

a. Macro and micro level economic and functional code wise risk analysis

b. Study of Materiality

c. Study on the policy guidelines, budget papers of MTBF ministry particularly emphasizing

the Key performance Indicators

17. d. Others (if any) Compared to traditional audit, in audit planning of MTBF ministries, economical and functional code based budget analysis was done. Does it help in pointing out the risk areas?

Not Sufficient

Partially Sufficient

Fully Sufficient

1

2

3

4

5

18. If audit planning for a MTBF ministry helps identifying risk areas, can it enhance the efficiency of the auditors to act properly as agent of the parliament in assessing newly introduced budgeting approach in the MTBF ministries?

Yes No No comment

Additional Comment (If any)

19. While making individual audit plan, was participation of every members of audit team was ensured?

Yes

Sometimes

No

20. What changes occurred in audit planning as a result of IT training on government accounting systems like Transaction Accounting System and i-BAS ? Please put your comment in brief.

No response

21. Monitoring and evaluation system is one of the major measures to ensure consistency in the exaction of recommendations set by audit. In this regard, what is the monitoring mechanism of OCAG after conducting an audit? Please write in brief.

Audit teams are monitored by senior officers of the Directorate on behalf of CAG. Follow-up also done irregularly

22. Audit recurrently sends reminders to auditee to settle audit objections. Do you think the existing system of monitoring is sufficient to fulfill the objective of the parliament?

Yes

Sometimes

No

23. Do you think the existing resource and arrangement of OCAG is sufficient in monitoring the auditee activities? (1 for lowest, 5 for highest)

Not Sufficient

Partially Sufficient

Fully Sufficient

1

2

3

4

5

24. How would you rank the extent of competence and skill of OCAG audit team in auditing MTBF ministry expenditure? (1 for lowest, 5 for highest)

Not competent

Moderate

Fully competent

1

2

3

4

5

25. The effectiveness of OCAG is dependent of the complementary role of Public Accounts Committee (PAC) .PAC is supporting audit effectiveness by its timely scrutiny and recommendations of audit observations. Do you agree?

- Yes Partially No

26. Do you think that PAC recommendations implemented and followed-up satisfactorily by OCAG?

- Yes Partially No

Additional comment (if any)

PAC recommendations are not followed by line ministry. And PAC is not careful in following

up these matters.

27. How much effective do you think the Audit reports are prepared by OCAG?

- | Effective | | Partially Effective | | Fully Effective |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <input type="checkbox"/> 1 | <input type="checkbox"/> 2 | <input type="checkbox"/> 3 | <input type="checkbox"/> 4 | <input type="checkbox"/> 5 |

28. What is OCAG's role in preventing fraud and corruption in the public sector through its Audit reports?

- Preventive Detective Corrective

Other comment (if any)

29. Audit Inspection Reports (AIR) are submitted to OCAG. Do you think the quality of such reporting is sufficient?

Yes Partially No

30. Do you think the system of audit reporting by OCAG to PAC and its follow-up is satisfactory?

Not Satisfactory Partially Satisfactory Fully Satisfactory
1 2 3 4 5

Other comment (if any)

Priority setting is not maintained properly always.

31. How much responsive were the MTBF line ministries found when responding to audit observations? (1 for lowest, 5 for highest)

Not Responsive Moderate Responsive
1 2 3 4 5

32. How much conscious the auditees and ministries were found to check/avoid recurrence of similar irregularity detected through auditing - in future? (1 for lowest, 5 for highest)

Not much Medium Very much
1 2 3 4 5

33. How much effective do you think audit will be if auditee's respond regularly to settle audit objections based on audit recommendations? (1 for lowest, 5 for highest)

Not much

Moderately

Very much

1

2

3

4

5