

# **Value-for-Money-Audit in Bangladesh Efforts and Challenges**

**A.K.M. Jashim Uddin**  
**Office of the Comptroller  
and Auditor General of Bangladesh**

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## Executive Summary

- There has been an enthusiastic introduction of VFM audit in Bangladesh. This has been a target-oriented approach, with a gradual shift from the conventional audit despite a number of constraints. The Comptroller and Auditor General of Bangladesh is leading the challenge of ensuring good governance and establishing accountability and transparency in public spending.
- This paper outlines the challenges and prescribes some steps to accelerate the proper implementation of VFM audit to meet the current needs of stakeholders.
- There are some inherent structural and organizational constraints that preclude the Auditor General from playing the proper role in promoting good governance and effective public service.
- A number of major predicaments have been identified, including a lack of awareness of the benefit of VFM audit, logistic support, performance indicators, proper planning, and a systematic approach. These need government support to take effective remedial measures.
- In the context of the public sector's enormous role in the country's economic and social development and the colossal mismanagement in that sector, the need for VFM audit has gained conceptual acceptability among the major stakeholders. To remove the roadblocks to effective implementation, some short-term and long-term strategies with concrete ideas to reach the target have been selected.
- In conducting the audit, the methodology learned and experience gained from the Office of the Auditor General (OAG) of Canada will be the guiding principle. The ideas of learning from practice and building on experience will pave the path for future support to expedite the process.
- The process requires careful and cautious initiatives in the implementation stage to avoid any confusion and misconception in the audited body. It is better to start with selected issues in limited organizations rather than attempting to reform the whole system at one time. In the process of selection, the issues having priority in terms of value and public interest should have significant consideration.
- The immediate necessity is to revamp the Office and reorient the policies and practices to shift the approach toward VFM audit. The officers with multidisciplinary backgrounds in the department will emerge as the leaders for building the technical and managerial capability necessary for this shift.
- To meet the immediate needs, a central planning and monitoring unit is to be established to identify priorities and select issues for VFM audit. We, the CCAF Fellows, would carry forward, monitor, and guide the ongoing VFM audit, methodology development, training, and awareness-building efforts.

# **Value-for-Money Audit in Bangladesh**

## **Efforts and Challenges**

### **1.0 Introduction**

#### **The Need for Value-for-Money (VFM) Audit**

The taxpayers want the best possible value from the use of public funds. Members of Parliament, in turn, look to the Auditor General to help them find out whether that value is being obtained by the government. Parliament, the government, and the public service are the guardians of public funds, entrusted to them for delivering programs and services to the benefit of the people. The people have their belief and confidence that public funds are spent wisely and effectively. There must be value for money spent in compliance with authority, and accountability by the government for its performance.

#### **The Role of the Auditor General**

The Office of the Auditor General plays an important role in the functioning of the parliamentary system and in fulfilling its mandate. It can and must influence the attitude of the government and public servants toward effective management and accounting for public funds. The Auditor General aids accountability by conducting independent audits of government operations. The audits provide members of Parliament with objective information to help them examine the government's activities and hold them to account.

#### **Why Bangladesh Needs VFM Audit**

Even though more than 30 years have elapsed since independence, Bangladesh still remains in the group of least-developed countries with per capita income of US \$320. The absence of good governance along with the lack of transparency and accountability are the major predicaments in our failure to achieve the desired goals. VFM audit can play a pivotal role in establishing good governance through ensuring accountability and transparency in dealing with public funds.

#### **The Purpose of this Strategy Paper**

This strategy paper highlights the status of VFM auditing in Bangladesh along with its mandate and environment. It includes the problems and ways to overcome these to accelerate the implementation of VFM audit. The immediate strategy is to take remedial measures to overcome these impediments and to build awareness among the audited bodies. We need to equip the prospective VFM auditors with the proper tools, including methodology and training. We need to erase the fears of the audited organizations by building awareness of the merits of VFM audit. Learning through experience rather than waiting for perfection will be the immediate strategy. I intend to work with the prevailing Performance Audit Cell or the proposed Planning and Monitoring Unit to strengthen the process of implementing VFM audit and to work toward achieving the desired goal.

## **2.0 VFM Audit: A Tool for Measuring Performance**

### **Promoting Good Governance**

The VFM audit deals with the results of operating decisions by top management. The characteristics and templates that are inherent in the VFM audit require special communication skills and qualities such as constructiveness, adaptability, receptiveness, and patience. A well-performed and reported audit serves as an essential instrument for developing and promoting good governance by improving public sector management.

### **Shift from Conventional Audit to VFM Audit**

The supreme audit institutions (SAI)s of the developed world and a good number of developing countries are moving from financial audit to VFM audit. This shift can be seen as moving from the role of an observer to a more proactive role as an improver. In the public sector, VFM audit provides relevant feedback to managers, legislators, and citizens on the efficiency and effectiveness of measured activities. In the case of a public health system, for example, the VFM audit enables the three groups (managers, legislators, citizens) to evaluate whether Medicare was delivered at the lowest cost, whether it was the best of what was available, and whether the public health benefited from the expenditure.

Accountability occurs when both Parliament and the public at large are assured that public funds are being spent efficiently and economically on programs that are effective. VFM audit assists this process by reporting on management's performance. In the democratic environment, SAIs can be seen as the taxpayer's independent and professional watchdog.

## **3.0 Audit Mandate**

### **3.1 Legal position**

The Office of the Comptroller and Auditor General of Bangladesh was created pursuant to Article 127-132 of the constitution of the country. Apart from these constitutional provisions, the Auditor General also derives his authority from the *Comptroller and Auditor General's (Additional Functions) Act, 1974* and its subsequent amendments in 1975 and 1983.

Article 128(1) states, "The public accounts of the Republic and all courts of law and all authorities and offices of the government shall be audited and reported 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 of other government properties in the possession of any person in service of the Republic."

Article 128(4) states, " The Auditor General in the exercise of his function under clause (1) shall not be subject to direct control of any person or authority."

Under Article 128 of the constitution and clause 11 of the *Comptroller and Auditor General's Additional Functions Act, 1974*, the Auditor General may make rules and give directions in respect of all matters pertaining to the audit of any accounts he is required to audit. Though there is no specific mention of value-for-money audit, there is no limitation imposed on the authority of the Auditor General to conduct VFM audits. Pursuant to the above-noted legal mandate, the Auditor General issued the Performance Audit Manual with detailed guidance and procedures to conduct VFM audits in Bangladesh.

### **3.2 Need-based demand and recommendations from other authorities**

The Public Accounts Committee of the fifth and seventh Parliaments made a specific recommendation to introduce VFM audit pursuant to the worldwide development in the field of public sector auditing. In 1994 a team of four secretaries to the government, led by the Cabinet Secretary, commented after visiting the U.K., "The present emphasis on VFM audit makes it imperative on the part of the Office of the Auditor General to develop its capacity to perform such functions. The stress now is not only on examination of financial propriety in expenditure of public funds but more on the result in the context of predetermined goals."

The president of the Republic, in his address to Parliament on 14 January 1998, reiterated the need to introduce VFM audit in the country in line with the latest advancement in the field of public sector auditing, along with traditional audit practice.

## **4.0 Present Status of VFM Audit in Bangladesh**

### **4.1 Establishment of a separate Performance Audit Cell**

The gradual shift from traditional financial and compliance audit to modern VFM audit requires adequate reorganization and development of human resources, skills, and techniques. The Office of the Auditor General is constrained in this regard due to the absence of authority to restructure the Office by recruiting additional manpower to meet the needs that the Auditor General considers necessary. However, in spite of the inadequacies and constraints, the Bangladesh Audit Department has started to gradually shift its focus from traditional audit to VFM audit. To expedite the process of introducing VFM audit, a separate Performance Audit Cell was established at the beginning of 2001. One of the CCAF Fellows is the director of this special cell. Moreover, a group of energetic and capable officers with training in VFM audit were posted in the cell to conduct VFM audit under the guidance and supervision of its director. The Auditor General is vigorously trying to create a full-fledged directorate with all the infrastructure facilities needed to oversee the VFM audit-related activities. In this respect, government is actively considering a complete proposal from the Auditor General to establish a separate directorate with full organizational set up and authority.

### **4.2 Launching of Performance Audit Manual**

To meet the needs of auditors for proper guidance, a Performance Audit Manual was issued by the Comptroller and Auditor General of Bangladesh in December 2000, under

the authority of aforesaid legal provisions. This manual will be instrumental to the auditors in enhancing capability and skill levels to carry out effective VFM audits.

### **4.3 Human resource development**

In spite of the limitations and constraints, a reform agenda under the technical assistance of UNDP (United Nations Development Program) and DFID (Department for International Development), U.K. is ongoing to improve the support services and quality of manpower in the Audit Department. A large number of officers and staff members were exposed to VFM audit through short-term training under the supervision of a UNDP-funded project. Besides the three CCAF Fellows trained from the Office of Auditor General (OAG) of Canada, a good number of mid-level officers have been trained in VFM audit over the last couple of years in the U.K. and Pakistan on-the-job training program. Moreover, a Memorandum of Understanding was signed between the SAI of Bangladesh and SAI of Pakistan for facilitating VFM audit training.

### **4.4 VFM audit in reality**

The first VFM audit report on an experimental basis was completed on “The National Book Center” under the direct supervision and participation of one of the CCAF Fellows. This report has already been tabled and discussed in the Public Accounts Committee (PAC). The report was highly acclaimed by the Parliament members, and more reports of this kind are expected from the Auditor General in the future. In the meantime, the Bangladesh Audit Department undertook five VFM audits in 2001 under the direct supervision and guidance of the Performance Audit Cell and UNDP-funded project. Four reports have already been approved by the Auditor General and are awaiting tabling before Parliament; the remaining report is scheduled for completion within the shortest possible time.

## **5.0 Major Obstacles in the Implementation of VFM Audit**

### **5.1 Lack of strong audit management**

An essential element in ensuring a high-quality report is strong supervision and monitoring with the proper guidance of professional standards. There is no built-in system of direct supervision in the Audit Directorates to establish control and create awareness among the working group at field level. Moreover, regular inspection with supporting guidance from the Office of the Comptroller and Auditor General (C&AG) of the ongoing field level audit operations to keep an eye on the audit process can be introduced. It is important in our economic and social environment to exercise independent supervision of the working group to develop integrity, duty consciousness, and accountability. The current process of reviewing the contents and substantiation of the report before final approval by the Auditor General is also not sufficient to ensure the quality of the report.

## **5.2 VFM audit needs systematic planning**

It is important to identify the priority areas in selecting issues for VFM audit. It is also essential to have perspective and a tactical plan for examining the issues and completing reports for approval of the Auditor General and tabling in Parliament. Pre-fixed timeframes for preparing and tabling of reports will also have positive impacts on the working group. There is no systematic approach to address new issues and allocate reasonable timeframes for VFM audit in our SAI. The Office is operating with the notion that VFM audits would generate better reports than traditional audit; however, without following all the steps of VFM audit, including having an adequate timeframe and logistic support, a good VFM report will be hard to achieve. Because of the unsystematic approach and the attitude of senior management, field level officers become disheartened and disappointed. The attempt to conduct VFM audits without determining a logical framework will mislead the work force, and the ultimate target of a good report may be compromised. Trying to conduct VFM audits in this way without following set rules and norms will not help in achieving the desired results.

## **5.3 Lack of trained and experienced manpower**

One of the main impediments in the smooth implementation of VFM auditing is the insufficient knowledge and expertise to conduct and produce high-quality VFM audit reports. The officers posted in the Performance Audit Cell are no doubt a good selection of multidisciplinary and efficient officers. But the problem is that VFM audit is a pioneering concept in the arena of public sector auditing in Bangladesh. There is no precedent of high-quality VFM audit reports for the audit team to refer to. In the audit process, from the initiation phase to the finalization of the audit report, the team members have no example to follow. A good number of officers working in the Performance Audit Cell are provided with only two weeks training in VFM auditing, organized by a project funded by UNDP. It has been observed that this short training is not enough for a clear understanding and application of this modern audit methodology in an economic and social environment like Bangladesh.

## **5.4 Officer and staff ratio needs appropriate balance**

Producing high-quality reports depends on having high-quality manpower to perform VFM audit. We inherited an organizational set-up that is mostly staff-oriented, with the ratio of cadre officer to non-cadre staff in the audit directorates of almost 2:98. This situation requires immediate attention and serious efforts to effect major changes in the officer and staff ratio and to ensure professionalism in the department at international standards. The introduction of modern audit techniques for ensuring high-quality audit reports requires high-quality human resources. It is not possible for this small number of cadre officers to guide, supervise, monitor, check quality, and liaise with an audited body to ensure a good report. The immediate need is to make a major organizational change in the present set-up to provide a sufficient number of officers to rationalize the officer and staff ratio in the department. This structural change does not lie within the authority of the Auditor General. The support and full co-operation of the government is essential to resolve this issue of officer/staff ratio for strengthening the role of the Auditor General as an important oversight functionary.

## **5.5 Policy for skill development is needed**

Auditing is no doubt a highly professional discipline necessitating skilled personnel to perform the work efficiently and effectively. It is very important for both career development and skill development to consider the aptitude and audit needs in the department. The indiscriminate transfer and movement of cadre officers between accounts and audit offices because of their low number is discouraging and certainly has a negative impact on their job interest, motivation, and skill development. There is no core plan in the Office of the Comptroller and Auditor General of Bangladesh for making transfers/rotations of officers among the different offices in the department. Career planning and policy guidance should be established keeping in view the staffing requirement for audit.

## **5.6 Training facilities are not used effectively**

There is no integrated approach to selecting officers for training according to the needs of the department. Nor are there criteria for the posting of officers after training, giving proper consideration to such matters as training, academic background, experience, and aptitude. Trained officers and staff are not always deployed in the jobs for which they have been trained, nor are they retained there for very long. No evaluation of training is being carried out to evaluate the best use of public funds. As a result, most of the value of training is lost and a positive attitude toward skill development and attaining expertise in the profession is lacking in the department.

## **5.7 Lack of logistic support and infrastructure facilities**

It is a gigantic task to produce a high-quality VFM audit report in our environment where no visible precedent in the field is apparent. The team members should have sufficient incentive in terms of transport, office environment, IT support, communication networks, and professional dignity. It is true that the Auditor General has very limited authority to give additional financial support to the newly created Performance Audit Cell beyond the normal rules and procedures. However, to create interest and enthusiasm among the officers, the Auditor General needs to introduce some motivational and incentive-oriented initiative for working in this arena. The smooth and timely running of VFM audit activities with vigor to produce high-quality reports is a big mission for the team, as well as the department. Therefore, proper and due implementation of the concept in its true form is a real challenge for the Auditor General. He should give special attention to providing all facilities through rationalization of resources of the department for the proper functioning of the Performance Audit Cell. Also required is the immediate attention of the government to giving sufficient financial support to perform VFM audits. In the pursuit of ensuring good governance, accountability, and transparency, prompt and favourable response from the government is a necessity. Without government assistance and unequivocal support, the Performance Audit Cell's sustainability will remain uncertain.

## **5.8 Information and awareness in the auditees are lacking**

It is clear from the experience of the VFM audit team that the attitude of the auditee is not always favourable toward VFM audit. There is an unwillingness to provide information and support to the audit team. The work of the audit team is viewed with

suspicion, and many feel the audit is encroaching upon their administrative authority. This may be due to lack of awareness about the utility, scope, method, and nature of VFM audit. In most cases, maintenance of records in public sector organizations is poor. The lack of available records in the audited organization creates reluctance among the staff to co-operate with the audit team. Lack of sufficient reliable data is a common phenomenon in our public sector organizations.

## **5.9 Performance indicators are essential**

The fundamental precondition for meaningful comment on the performance of an audited organization is having clear and easily quantifiable benchmarks or performance indicators. In cases where objectives are not quantifiable or performance indicators are not available, the task of the auditors become very difficult. They may have to look for the generally accepted norms or industry standards or work out performance criteria in consultation with the management.

## **5.10 Lack of training material and reference books**

The availability of sufficient reference books and reading materials on VFM audit is essential for high-quality reports. In the absence of such materials, audit staff find it difficult to maintain the quality of audit reporting. Currently, the Office does not have a library with enough reference VFM materials to help the audit parties. It is one of the main impediments in the smooth running of VFM audit in our SAI.

## **5.11 Advisory committee and hiring of experts**

There is only one advisory committee, composed of senior officers of the department, which discusses and recommends all the VFM reports for approval of the Auditor General. In reality though, all the members of the advisory committee are busy with their own assigned tasks and it is difficult for them to manage time to contribute to this additional task. For obvious reasons, the committee's role is mainly confined to making some comments on the editorial aspects of the final report. Usually, no outsiders with sufficient knowledge of the functioning of the organization under audit are included in the advisory committee, presumably because of limitations of the financial power of the Auditor General to give them honorarium.

## **5.12 Findings & evidence are not always properly linked**

It has been observed that the field level auditors are not always aware of the necessity of collecting all related documents to substantiate the audit findings. Without producing supporting papers, the audit comments and observations are of no value. It would be difficult to obtain this evidence later on if it is not available with the primary audit report.

## **5.13 More contact with auditees needed**

There is still a suspicious attitude in some agencies in our country about VFM audit. At present, there is no executive-level meeting with the audited organization so that it can gain a clear understanding of the purpose and effects of VFM audit. The practice of holding a higher-level meeting at the start of each VFM audit would have a positive impact on creating a productive working environment and relationship for the audit team

and the organization. Moreover, this higher-level contact would play an important role in getting prompt clearance on the final audit report. In the absence of this introductory meeting, audit teams are often faced with a lack of co-operation from the staff of the audited organization.

## **6.0 Strategy to face the challenges**

The existing status of VFM audit in Bangladesh clearly indicates that progress in the field is slow. In the context of the public sector's enormous role in the country's economic and social development and colossal mismanagement in that sector, the need for improved VFM audit is not only relevant but also undeniably an immediate necessity. There are some roadblocks on the journey of VFM audit, but these can be removed with due care and proper efforts on the part of the Auditor General with support from the government. In this paper, some remedial measures are being presented for accelerating the successful implementation of VFM audit. Two types of measures come to light in the discussion; some of these require immediate action and the rest are prospective plans for a suitable future time. These short-term and long-term strategies that respond to the obstacles discussed in section 5 are clarified in the following information, with a concrete approach to reach the target.

### **6.1 Short-term strategy**

#### **6.1.1 Establishment of a Planning and Monitoring Unit**

The Office needs to establish a central planning and monitoring unit for making plans and monitoring the implementation process of VFM audit. This unit will play a dominant role in expediting the ongoing process of VFM audit. In consultation with all the audit directorates, including the Performance Audit Cell, the planning and monitoring unit will identify priority areas in which to undertake VFM audits and will set target timeframes for preparation and tabling of reports, keeping in mind the experience of countries more advanced in this field. There should be a long-term perspective plan and short-term tactical plan for the undertaking and execution of VFM audit. The planning and monitoring unit would regularly monitor the progress of each audit, including surprise visits to observe field level audit work. These visits are not intended as a policing function but to assist the auditors by providing them with adequate guidance and motivation to improve the quality of their work. It is very important at the initial stage of the VFM audits to have regular visits of the audit team to provide guidance and to strengthen the audit process. These motivational and supervisory activities would serve the purpose of proper audit management to maintain the quality of the report in line with professional standards. They would also help to ensure the quality of work done at the different stages of audit, including timely submission of reports.

#### **6.1.2 Human resource management and planning**

The cadre officers are mainly recruited directly through competitive examinations conducted by the Public Service Commission. These officers usually come from multidisciplinary backgrounds such as Social Science, Pure Science, Business Administration, Accounting, Engineering, Agricultural Science, and Medicine. In general,

they could conduct VFM audit better with adequate training on the concept and practices.

In the past, overseas training has been treated as a benefit to the officers rather than a need of the department. It is necessary to change this trend and notion and to use training facilities for building up professionalism in the department. In the Office of the Comptroller and Auditor General, a policy for training of officers to meet the needs of the department is essential. There should be a policy that requires every officer, after returning from training, to serve in the Performance Audit Cell/Directorate for a specified period. The officers trained in VFM auditing should serve in this field for a number of years, and after that they should be required to be directly or indirectly involved in the development and quality-building activities in this field. With proper training, a limited number of audit staff could also be involved in the VFM audit team. But their number should not over-ride the number of officers working on the team. The VFM audit team should always be officer-based for the sake of quality, integrity, and client confidence. The SAI of Pakistan has developed an intensive training course on VFM audit of five weeks duration. This sort of regular training program can also be developed and run under the auspices of the Financial Management Academy (FIMA) of our SAI. The officers trained from the United Kingdom, Pakistan, and General Accounting Office (GAO) of the U.S.A., and the CCAF Fellows could be the trainers in the course.

### **6.1.3 Working environment in Performance Audit Cell**

The Performance Audit Cell should be the model of a good working environment, with full IT support to build it as a centre of excellence. It should be a top priority of the Auditor General, with financial support from the government. It requires special initiatives of the Auditor General to ensure the provision of all facilities needed for smooth functioning of Performance Audit Cell. There should be a sense of dignity and feeling of pride among the officers and staff in this Office. Without creating interest and enthusiasm in the officers to work in the Performance Audit Cell, high-quality performance audit reports cannot be achieved. Even in the training policy of the department, a clause could be inserted specifying the preference for overseas training for the officers working in the Performance Audit Cell.

### **6.1.4 Building awareness among the key stakeholders**

There is a serious information gap among the key stakeholders in the country regarding VFM audit. The immediate mission is to provide a clear understanding of the concept of VFM audit to the major stakeholders. How is it different from traditional audit? Why is it so urgently needed? What benefit does it bring for the people of the country, Parliament, and the government? In the meantime, the Auditor General has held a number of seminars and workshops in different parts of the country. However, more needs to be done to deliver the message of the importance of VFM audit to all the stakeholders. To make the transition to VFM audit easier, such activities as a series of nation-wide seminars and workshops, news articles in the media, and frequent discussions with key stakeholders would contribute to building awareness of VFM audit.

### **6.1.5 Performance Audit Directorate with functional responsibility**

It is imperative to get government approval of a separate Performance Audit Directorate for conducting VFM audits. This Directorate must not be in the same organizational

structure and human resources set-up as other audit directorates in the department. This type of audit requires technical knowledge and professional competence to produce high-quality reports. Thus, it should be officer-based, with a limited number of support staff. The Directorate should be fully equipped with sufficient computers, internet facilities, fax, telephone, and other modern amenities to communicate with the stakeholders and other SAIs as needed for smooth functioning.

#### **6.1.6 Establishing a knowledge centre**

We have a number of officers who have been trained in VFM audit in Canada, the U.K, the U.S.A. and Pakistan in the last few years. All these officers have collected many books, periodicals, manuals, reference materials, and performance audit reports. Being a member of INTOSAI and ASOSAI, our Office can collect the literature developed by these bodies or their original working groups, as well as the materials developed by other SAIs. Moreover, the Office can subscribe to journals on VFM audit published by INTOSAI and its regional bodies and other SAIs.

The Performance Audit Cell can create a rich library with the accumulation of all these collections, departmental codes, and manuals for the reference and guidance of the auditors. This knowledge centre should have an online facility with all audit directorates and internet connections to ease communication with other SAIs and related authorities for information and reference. The SAI of Pakistan has developed a VFM audit methodology and several volumes of VFM audit guidelines to cover different sectors in the economy. Our Office can also take the initiative to collect copies of these books to enrich the knowledge centre and enhance capacity building in the department.

#### **6.1.7 Separate advisory committee for each audit assignment**

In the Office of the Auditor General (OAG) of Canada, a separate advisory committee is formed for each audit chapter. This committee reviews the Chapter starting from the survey report to the final report for approval by the Auditor General. The OAG invites some outside members from professional organizations and persons who are well versed in the functioning of the organization or program under audit to these advisory committees. Borrowing from the Canadian experience, our Office should form a separate advisory committee including outside members for each audit assignment. The committee could support the audit team by providing suggestions and guidance at different stages and thereby be of great help in improving the quality of the audit report.

#### **6.1.8 Entity clearance on conclusions and recommendations of the audit report**

It is important to get the opinion of the auditee on the concluding remarks and recommendations in the final audit report. The culture and attitude of the audited organization in our country is not always very positive in providing quick and rational response to our audit reports. This has been a real problem in our environment. However, the parliamentary committees are now more active and regular in dealing with audit reports and the Auditor General is also issuing more up-to-date reports related to matters of concern and recent events. So the position is much better now than ever before. At this stage, special efforts of the Auditor General may improve the situation. The Auditor General may also use the good will of the Public Accounts Committee (PAC) to influence the attitude of the government and the public servants toward effective management. The above-noted initiatives would no doubt play an important

role in activating and influencing the audited organization to give its comments on the final report within the stipulated timeframe. Entity clearance is an important step in the process of establishing accountability and good governance in public spending through the audit report.

## **6.2 Long-term Strategy**

### **6.2.1 Restructuring of power and authority of the Auditor General**

Pressure has been recently mounting in academic and other public forums, including Parliament, to revamp the audit office and introduce VFM audit. Functional independence of the Auditor General in discharging his responsibilities is ensured in the legal mandate. However, some limitations in his administrative authority and dependence on the administrative ministry have had a deterrent effect on his role as an oversight functionary. The main workforce of the audit function is the cadre service officers working under the direct control and supervision of the Auditor General. But the Auditor General has no authority in the hiring and firing of those officers. This authority lies with the Ministry of Finance under the rules of business of the country. Moreover, for most of the administrative and budgetary matters, the Auditor General has to depend on the approval of the administrative ministry. To make the authority and power of the Auditor General more self-reliant, some changes in the administrative and functional authority of the Auditor General are needed. In many SAIs, including Canada and the U.K., the members of the audit office are not part of the civil service of the country. The appointment and discharging of the members are under the full authority of the Auditor General. Moreover, in those countries the Auditor General's budget is usually passed in Parliament, with the Auditor General having the discretion to distribute it according to the needs and priorities for promoting and ensuring good governance.

The powers and authorities of the Auditor General as an oversight functionary deserve rethinking for the greater interest of ensuring accountability and transparency in public spending. Recently, a new Act passed in Tanzania empowering the Auditor General to conduct VFM audits with full power of appointing authority for his work force and more independence on budgetary control. We can use the Tanzanian experience as a reference to review and evaluate the current conditions so that we can make the right decision within a reasonable time.

### **6.2.2 Independent advisory committee for the Auditor General**

The Auditor General might create a committee of external advisors made up of members of the accounting profession with senior competence. Its purpose would be to provide advice to the Auditor General on his audits of the financial statements of the government, corporations, and other public sector entities. When considered necessary, matters affecting an audit of any entity might also be referred to the committee for advice. Finally, the committee could also assist the Auditor General in monitoring developments in the accounting and auditing profession and considering their impact on the work of the Office. The committee might be chaired by the Auditor General. For example, in the Office of the Auditor General of Canada, the concept of the independent advisory committee of the Auditor General is in practice.

### **6.2.3 Peer review**

A very common question often heard is who audits the Auditor General? The mandate and functions of the Auditor General must influence the attitude of the government and the public servants toward effective management. The Auditor General aids in the process of establishing good governance and ensuring accountability and transparency in the public sector by conducting independent audits of government operations. It is important and desirable to ensure that a Quality Management System (QMS) exists in the Office of the Auditor General. The stakeholders expect the Auditor General to have extensive quality control procedures to ensure that a high standard is maintained in performing his core function for Parliament.

The practice of conducting audits of the Quality Management System in the Offices of the Auditor General by an independent auditor has already started in the major SAIs of the world. In the Office of the Auditor General of Canada, such a peer review of its Quality Management System for annual attest audits was conducted by an external audit firm, Pricewaterhouse Coopers LLP, in the year 2000. The same was done in the Australian National Audit Office (ANAO) by KPMG in 2000 and in the New Zealand Audit Office by the Australasian Council of Auditors General (ACAG) in 2001. It is now necessary to establish a Quality Management System and an internal practice review of its operating effectiveness in our SAI. It is thus felt that after the suitable design and period of effective operation of a Quality Management System in our SAI, an independent audit or peer review within a reasonable time period be considered.

### **6.2.4 Separate enactment for VFM audit**

The SAIs of India and Pakistan have been conducting VFM audits for a good number of years under the same legal provisions as in Bangladesh. These SAIs' mandates have not been changed to insert specific provisions clarifying the function of VFM audit. But no question has yet been raised claiming that the Auditor General is encroaching outside his assigned mandate. So the present approach of the Bangladesh SAI to go ahead with VFM audit is in the right direction. But for strong support and comprehensive understanding, inserting the provision of VFM audit in the legal mandate seems to be appropriate. We can take the example of Canada and the U.K. in this regard. *The Auditor General's Act 1977* in Canada and *The National Audit Act 1983* in the U.K. formally recognized and described the responsibility of the Auditor General to consider the economy, efficiency, and effectiveness in public spending. But these SAIs had started VFM audit much before the provision to conduct VFM audit was inserted in legislation. In our case, incorporating a legal provision for conducting VFM audit could be considered at a suitable time in the future. This would eventually create a more convenient working environment for the Auditor General, along with supportive awareness among the major stakeholders.

## **7.0 Concluding Remarks and Recommendations**

Value-for-money (VFM) audit has been introduced in developed countries and many developing countries over the last 30 years. The SAI of Bangladesh is also making progress in implementing the concept and practice of VFM audit in our public sector auditing. Across the government, it is felt that auditing should be made more effective

and useful and should play an important role in promoting accountability and transparency in public spending. In consideration of all the significant positive changes, let us take due steps in time to accelerate the implementation process of VFM audit.

The journey of VFM audit in Bangladesh has already started, though the experience and initiatives are still at the embryonic stage. The odyssey toward the full implementation of VFM audit will not be easy. We have many things to learn from the operational experience, and it will take time to reach the target of a good-quality VFM audit report. To expedite the process, we can follow the experience of a pioneer country like Canada. We have the advantage of seeing the Canadian experience through the CCAF Fellowship program and applying our skills and experience to guide the process of audit in our country.

In the prevailing economic, social, cultural, and political atmosphere of our country, it is undoubtedly the right approach to continue developing VFM audit rather than wait for more powers and authority. The ideas of learning from practice and building on experience will pave the path for future support. The way we have started seems to be the right approach to achieving proficiency in the field. The obstacles will need to be overcome by initiating and practicing the short-term and long-term strategies described in this paper to make the journey more comfortable and successful.

## 8.0 Strategy and Action Plan for VFM Audit

I have prepared a summary of strategic proposals and an action plan for strong audit management, human resources development, and infrastructure facilities to ensure the quality of VFM audit report in the SAI of Bangladesh. The action plan describes strategies, responsibility, mechanisms and tools, and anticipated completion time as follows:

### Action Plan Framework for VFM Audit in Bangladesh

Short-term strategies	Responsibility	Mechanism/Tool	Anticipated completion time
1. Establish Planning & Monitoring Unit	This proposed unit will be formed with the approval of the Auditor General.	<ul style="list-style-type: none"> <li>Issue of order by the Auditor General to form the unit through internal reorganization.</li> <li>Preparation of terms of reference and accountability framework of the unit.</li> </ul>	June 2002 to December 2002 (7 months)
2. Human Resources Development	I will take the initiative in collaboration with other Fellows and officers trained in VFM audit	<ul style="list-style-type: none"> <li>Methodology development</li> <li>Development of VFM audit guidelines for different sectors</li> <li>Development of training curriculum in collaboration with Financial Management Academy (FIMA)</li> </ul>	June 2002 to May 2003 (one year) to establish; however, this is an ongoing task

<b>Short-term strategies</b>	<b>Responsibility</b>	<b>Mechanism/Tool</b>	<b>Anticipated completion time</b>
3. Working Environment	Management	<ul style="list-style-type: none"> <li>Continuing communication by me with the authority to encourage taking initiative to bring the Performance Audit Cell within the IT network of the department</li> <li>Mobilization and redistribution of internal resources</li> </ul>	June 2002 to December 2002 (7 months)
4. Building awareness	Management and audit team	<ul style="list-style-type: none"> <li>Liaison between myself and management to take effective measures</li> <li>Organize seminars, workshops, and frequent meetings with the management of audited organization</li> </ul>	A continuous process
5. Performance Audit Directorate	Management and government	<ul style="list-style-type: none"> <li>Continuing persuasion from the department and other levels to get government approval</li> <li>Personal efforts to expedite the process</li> </ul>	In the process and under consideration of the government
6. Knowledge Centre	I will take the initiative	<ul style="list-style-type: none"> <li>Issue of formal order with the approval of the authority</li> <li>Arranging space, furniture, and relevant facilities</li> <li>Cataloguing and preservation</li> </ul>	June 2002 to September 2002 (4 months)
7. Advisory committee for each audit assignment	Management	<ul style="list-style-type: none"> <li>Policy decision of the Auditor General</li> <li>Selection of members for the committee</li> <li>I will pursue with support of Performance Audit Cell</li> <li>Convince the Auditor General that honorarium to the committee members can be paid out of lump grant for appointing consultant</li> </ul>	June 2002 to December 2002 (7 months)
8. Entity clearance	Management and audit team	<ul style="list-style-type: none"> <li>Initiative from higher management</li> <li>Motivational efforts by audit team</li> <li>Constant persuasion from Planning &amp; Monitoring Unit to ensure getting clearance</li> </ul>	June 2002 to December 2003 (19 months)

<b>Short-term strategies</b>	<b>Responsibility</b>	<b>Mechanism/Tool</b>	<b>Anticipated completion time</b>
		<p>ahead of final approval.</p> <ul style="list-style-type: none"> <li>• Develop sense of importance through awareness-building activities</li> </ul>	

<b>Long-term Strategies</b>	<b>Responsibility</b>	<b>Mechanism/Tool</b>	<b>Anticipated completion time</b>
1. Power and authority of the Auditor General	Management and government	<ul style="list-style-type: none"> <li>• Policy decision of the Auditor General</li> <li>• Persuasion of the government</li> </ul>	June 2002 to December 2006 (55 months)
2. Independent advisory committee for the Auditor General	Management	<ul style="list-style-type: none"> <li>• Policy decision of the Auditor General</li> </ul>	June 2002 to December 2003 (19 months)
3. Peer review	Management	<ul style="list-style-type: none"> <li>• Policy decision of the Auditor General</li> <li>• Design and implementation of Quality Management System (QMS) in the department</li> <li>• Internal practice review</li> <li>• Independent examination by the professional group</li> </ul>	June 2002 to December 2006 (55 months)
4. Separate enactment	Management	<ul style="list-style-type: none"> <li>• Policy decision of the Auditor General</li> <li>• Persuasion to the government</li> </ul>	June 2002 to December 2006 (55 months)