



The Office of the Comptroller and Auditor General: Governance Challenges and Way Forward

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Executive Summary

1. Introduction

The Office of the Comptroller and Auditor General (OCAG) is one of the important pillars of National Integrity System. It is a constitutional body to establish transparency and accountability in public expenditures and prevent financial corruption and irregularities in public administration. According to the Article 128 (1) of the Constitution, ‘the public accounts of the Republic and all courts of law and all authorities and officers of the Government shall be audited and reported by the Auditor General.’ This office pays greater emphasis on efficiency, effectiveness and parsimony in public expenditures for combating corruption and increasing transparency. The main responsibilities of the CAG Office are to review how efficiently public money is being spent and in what ways tax payers’ and poor people’s interests are served. Through this office the executive is made accountable to the Parliament and the government to taxpayers.

In recent years, the CAG Office has got some momentum in its operations. In the last 5 years, because of its efforts BDT 18527.85 crore has been adjusted and realized through auditing of many government offices. Moreover, there have been some positive changes in other areas like adoption of automated system in the auditing process and release of the audit reports through press conference. An Audit Act has also been drafted aiming at ensuring greater independence in the functioning of CAG. Despite these positive changes, some institutional and legal limitations persist for which the office has not been able to perform its responsibilities properly. On the other hand, transparency in public expenditure has jeopardised as audit objections are not properly reflected because of the corruption of its officials and employees during audit process and non-realization of public money that have been embezzled and misused through corruption. Therefore, TIB has undertaken this study to indentify and examine existing limitations, corruption and irregularities in the CAG office.

The specific objectives of this study are to identify legal, institutional and organisational limitations of this office and to analyze nature and extent of corruption and irregularities and provide recommendations on way out from its governance challenges.

1.2 Research Methods

This research is mainly based on qualitative data. Data were collected from both primary and secondary sources. The primary sources include key informant interviews with current and former officials and employees of CAG office, officials of various government offices and experts. These interviews covered 40 public offices including ministries, departments, divisions, boards and educational institutions. The secondary sources include various websites, relevant research reports, government publications, the Constitution of Bangladesh, publications of OCAG and OCGA, different manuals, various orders and circulars of the government and media reports. Data collection, analysis and preparation of the report took place from March 2013 to December 2014.

2. Legal Limitations

According to the Article 131 of the Constitution, ‘the public accounts of the Republic shall be kept in such form and manner as the Auditor General may, with the approval of the President,

prescribe'. However, in 1983 the Ministry of Finance amended the Additional Functions Act 1974 where in the Section 3 it was stated that the government can suspend all authorities and power given to the CAG. Based on this amendment, the Ministry of Finance laid down the Chief Accounts Office of CGA under the control of the Ministry which has originally been controlled by the CAG. However, questions are there that it was made without changing the Constitution. Only the posting, transfer, and promotion of the Class I and II officials of CGA are controlled by the CAG.

The Audit Act was drafted in 2008, yet it has not been passed as a law. As a result, the CAG office faces numerous barriers to work independently. It cannot take any legal measures to settle audit objections.

There is a contradiction in the status of CAG. Being a constitutional position, the status of CAG should be equivalent to the status of High Court Judges. Their budget and rules for appointment and termination should be similar. However, in the Warrant of Precedence the status of High Court Judges is placed at step 9, whereas the status of the CAG is placed at step 15. The CAG gets the honour of a secretary whenever he attends a meeting chaired by the Cabinet Secretary.

According to the Article 132 of the Constitution, CAG reports should be submitted to the President. However, in the Rules of Business it is written that audit reports should be submitted to the Prime Minister which contradicts the Constitution. Experts have the opinion that as the Prime Minister is not associated with audit reports that they should not be given to the Prime Minister. Rather, this provision weakens the constitutional mandate to the CAG.

Some associated institutions of the government like the railway, defence etc, have their own procurement rules. At the same time, they have to comply with procurement law of the state. As their procurement rules sometimes conflict with public procurement law, in many cases audit activities undertaken by CAG office sometime encounter difficulties. As a result, confusions sometimes arise when they conduct audit in such institutions following public procurement law.

The government sometimes issues new orders or amends laws. However, there is not central archiving of those changes. As a result, knowingly and unknowingly audit teams and audited offices sometimes violate or ignore these rules. Thus, a lot of audit objections are piling up that would take longer time to resolve.

2.2 Institutional Limitations - The internal Challenges

Dependence on the Ministries of Finance and Public Administration

According to the Article 88 of the Constitution, the OCAg has given the financial autonomy by allocating a consolidated fund for its operations. However, as the allocation for administrative expenses is not specific enough, the Ministry of Finance can control the expenditure of CAG office. For example, the Ministry does not provide adequate fund for transportation and daily allowances requested by the CAG office. Another problem is that transportation and daily allowances bills are paid a year later.

Again, according to the law, though the CAG office has the authority to recruit officers and employees, in reality they need to get approval from the Ministry of Finance and Public

Administration. There are instances that the CAG office did not receive approval from the Ministry of Finance to recruit specialized individual or institution for auditing some areas of public works, engineering department and health institutions. Besides, approvals from the Finance Ministry are required in cases of promotion, study leave, procurement etc. At the same way, approvals from the Ministry of Public Administration are required in cases of recruitment and administrative reforms etc.

Manpower Constraints

There are shortages of manpower in the CAG Office. The number of manpower is inadequate compared to its needs. It has been in operation with the organogram approved in 1988. The sizes of national budget and number of offices have been in increase by this time. These increases entail more workload for the CAG, but necessary manpower have not been appointed to carry out such additional job. Rather, one-third approved positions in this office are left vacant.

It is notable that there are only 135 cadre officials (3.69%) in the CAG office. The directorate responsible for auditing foreign aided project has only 10 cadre officials. These officials have to audit almost 400 projects in a year. Similarly, the directorate for local government and revenues has 11 cadre officials who have to audit almost 12000 institutions. It is understandable that with such inadequate staff size it is difficult to complete audits of large number of projects or institutions. It is further mentionable that a new organogram was sent to the Ministry of Finance in 2012; however, it has not been approved yet.

Approval from the Public Service Commission (PSC) is needed for promotion of CAG employees even after successful completion of Sub-ordinate Account Service (SAS) examination. For such promotions, the CAG Office designed a recruitment policy in 2003 and sent to the Ministries of Finance and Public Administration; however, it has not been approved yet. As a result, many Auditors and Superintendents who have passed SAS Examination are not getting due benefits and entitlements. For example, around 535 Class I Superintendent and 250 Class II Auditors have been waiting since 2007 to get approvals from the PSC.

There is a contradiction regarding grades of some CAG officials. In 2013, status of CGA and Controller General Defence Finance (CGDF) was changed to grade 1 from grade 2; however, despite having equivalence with above positions the status of Deputy Comptroller and Auditor General (DCAG) Senior and Director General (FIMA) was not changed from grade 2 to grade 1. Although CAG Office has sent a proposal to upgrade these two positions to Finance Ministry, they have not received any approval yet. Besides, because of the delay of getting grades for working at OCAG some officials go to other ministries and departments for getting higher grades, despite receiving years of training on audit and accounts. Furthermore, the demand for elevation of Auditors' grade from Class III to Class II has been realised although grades of Diploma Engineers, Cooperatives Officers, and Sub-registers were upgraded to Class II from Class III.

Constraints in Training

The training of FIMA has become modern because of the use computers. However, there are problems in the training provided by FIMA. A significant number of training are delivered in lectures methods. There is no needs-assessment of trainees. Curriculums are outdated and no

separate training on audit. Training on latest accounting system and report writing are not provided. Besides, some trainers of FIMA do not have adequate qualities. Some cannot provide training proper and cordial manner. Some guest lecturers do not spend adequate time and effort for low training honorarium.

Accountability Challenges

According to the Constitution of Bangladesh, the President has the power to appoint the CAG. But, there is no explicit and elaborate explanation about the accountability of CAG. The reports of OCAG and its operations are supposed to be discussed in the Parliament, but they have never been discussed. The Public Accounts Committee (PAC) discusses audit reports; however, they do not raise any question about the quality of reports to ensure the accountability of CAG Office.

Promotions of Class I and II Officials of OCAG are decided through Departmental Promotion Committee (DPC) of Public Administration and Finance Ministries; therefore, the accountability of CAG officials has become weak. Although there is a complain cell at CAG office, nobody makes any complain to it.

Limitations of the Audit Reports

The audit process is a time consuming matter. If auditors give audit objections to an office, the office will need to provide necessary explanations or documentary evidence. If explanations and evidence are not acceptable or further clarifications are required, the auditors may seek further clarifications. Getting response from the public offices is also lengthy. As a result, an audit cannot be completed within 90 days deadline.

On the other hand, audit reports are always riddled with numerous errors for lack of efficient audit managers and proper supervision. Even getting the schedule of BG Press for the publication of audit report takes time. Besides during audits, objections are made based on the documents of last two years. In such a situation, when audit reports are made available before the Public Accounts Committee (PAC), old audit reports loss their significance. Moreover, sometimes more time is required to get feedback on audit reports from Quality Assurance Committee of CAG Office. When audit reports are finalized after such a lengthy process, additional six months are required to get appointments from the President and the Prime Minister. Thus, audit report preparation and subsequent submission to the President require at least one and a half year. Because of this lengthy audit process, only a few audit objections can be settled properly. Therefore, since independence altogether one lac and 52 thousand audit objections have been waiting to be settled.

Limitations in Information Disclosure

After submission of audit reports to the President, earlier no press note was given to let people know on key findings of reports until 24 November 2014. Only old audit reports are found available on the website. For example, the latest reports that are available on the website belong to 2008.

Problems in Reform Initiatives

Some projects that were undertaken to develop OCAG functions and officials' capacity were not successfully implemented. Many project failed because they were undertaken by behest of the Ministry without assessing CAG office's needs. Besides, a large share of project expenditure went off to consultants as their remuneration and benefits. Unfortunately, there were instances where some consultants were not qualified enough to do assigned jobs. On the other hand, there is no established rule to hire local consultants. For this reason, OCAG high-ups hired retired public officials through personal relationship as local consultant who did not have any prior experience on accounting and auditing matters. As a result, they could not contribute to achieve the objectives of those projects.

CAG's External Challenges for inability to settle audit objections

The rate of the settlement of audit objections is quite low for numerous weaknesses and delays of CAG Office and audited institutions. But PAC can play a pivotal role to settle audit objections. Highly empowered PAC can settle audit objections through negotiation with the concerned institutions and even they can realize money that had been embezzled. However, no measures can be taken against the offenders if audit objections are too old. For example, audit reports of 2008-09 were submitted in 2012 for which concerned offenders could not be brought under accountability.

In addition, the PAC could not perform effectively to settle audit objections in many cases. Except the PAC of Ninth Parliament, all PACs could not discuss and settle many audit reports submitted to them. Since independence, only 332 audit reports have been discussed upto Eight Parliament. However, the PAC of the Ninth Parliament could discuss 570 reports of which 490 were old and 158 were new.

Irregularities and Corruption at the CAG Office

Irregularities and Corruption in Recruitment and Posting

According to the Constitution, the President is supposed to carry all his responsibilities (except the appointment of Chief Justice) in consultation with the Prime Minister [Article 48(3)]. Therefore, this rule is applicable in case of CAG appointment; there is a risk of a partisan appointment here.

There are allegations of unauthorized payments in the recruitment for different positions such as Auditor, Junior Auditor, and MLSS at the CAG office. In 2014, 413 employees were recruited in different positions of CGDF, where it is alleged that large amounts of bribes were transacted. For example, candidates for Auditors and Junior Auditors paid between Tk 4-5 lac. Around 500 Auditors and Junior Auditors were recruited by the Additional Director General (Finance) Railway in 2012, where it was alleged that almost half of the candidates paid bribes between Tk 3-4 lac. It was alleged that senior officials of the CAG Office were involved in those corruption. Moreover, there are instances of influence by ministers, MPs, members of the PAC and political leaders in the recruitment process.

Recommendations from the higher authority are a must to get posting in directorates where there is scope of earning money through corrupt practices. For instance, many officials expect to be

posted in the Foreign Aided Project Directorate, the Foreign Mission Audit Directorate, or the Public Works Audit Directorate. Bribes are also paid to get audit assignments in a public office, such as bonded ware house, public works of the defense, etc. Sometimes Tk 10-20 thousands are paid to the Employees' Association as bribes to get the audit assignment for a certain public office. In addition, OCAG Officials pay bribes of Tk 1-2 lac for getting posting as a Divisional Accounts Officer (DAO).

Irregularities in the Training and Mission Audit

Nepotism has been reported in the selection of trainers. Friends and batch-mates are selected as guest trainers, while many qualified trainers are not selected. Qualification and relevance are not considered in selecting the participants for foreign training. Rather, a few officials always receive such opportunity. Moreover, the officials of OCAG do not get equal opportunity to be selected in foreign mission audit because of nepotism.

Negligence of duties

The Director Generals (DG) are under no specific accountability mechanism for their work, delivery and quality of reports. No such initiative has been taken in this regard. Besides, the CAG Office does not prepare any annual plan on their activities. The audit of the Fiscal Year 2011-12 was supposed to be completed by June 2013, but the DGs are not made accountable for their inability to submit reports even in December 2014.

The CAG Office does not have effective monitoring mechanism for field level auditing. No additional information other than the information collected by the Audit Team is found in the CAG Office. As a result, it is not possible to take punitive measures against irregularities and corruption of audit teams. Besides, long delay, irregularity, corruption and irresponsibility are found at every stage of proper verification of audit objections. As a consequence, the rate of settlement of these audit objections is quite low. In addition, the manuals for field level auditing are not properly followed.

Irregularities and corruption during field level audit

It has been alleged that CAG officials take bribes from officials of audited institutions and harass them in different ways. Such a scenario does not vary much across different auditing directorates. Officials of every audited institution have to give bribe or gift, and the cost of transportation and food to the audit team. Sometimes the audit team collects lodging cost from the institutions. In general, if an institution has a large budget or a big project and is highly vulnerable to audit objections, the audit team demand large sum from it. In most cases, the transaction of bribery is done under a package. The officials of institutions with a small budget have to give at least Tk 10 thousand and this is non-negotiable. On the other hand, officials of institutions with a large budget make a verbal agreement about the amount and may have to spend up to Tk 5 lac for audit purpose. In most cases, the most important and rational objections or objections involving large amount of money are ignored in exchange of bribe, and minor objections are reported. In many cases, the audit team itself prepares the reply of the audit objections that go in favor of the audited institutions. As a result, these objections are easily resolved in the bilateral or trilateral meetings. More objections with regard to irregularities are raised compared to objections with regard to corruption, and the amount relating to objections are reduced.

Irregularities and corruption after field level audit

The audited institutions are informed about the audit objections on the basis of the field observations through letters and are requested to reply and resolve through bilateral meetings where representative from CAG and concerned institutions are present. The objections that are not resolved through bilateral meetings are discussed in the trilateral meetings where representatives from the concerned ministry are also present. In both the meetings, no all objections are raised at a time. Decisions taken at those meeting are not implemented either. Even some rational decision are left pending claiming they are not acceptable. For attending trilateral meeting, the account officers have to be given Tk 4-5 thousand as the cost of conveyance and food. For resolving 15-20 years old audit objections, bilateral meetings are held in an area of tourist attraction and a minimum of Tk 20 thousand is to be paid.

The Picture of Bribery in the CAG Office

The common picture of bribery in different offices is given in Table 1.

Table 1: Amount of Bribery in the CAG Office

Sl No.	Areas of Illegal Money Transaction		Concerned person/institution/task	Amount (Taka)
1	Corruption in recruitment (Auditor, Junior Auditor and Driver)		CGDF	3,00,000–5,00,000
			ADG (finance) Railway	3,00,000–4,00,000
2	Getting opportunity to audit in the desired institutions		To Senior level Officials	50,000–1,00,000
			To Association	10,000-20,000
3	For auditing by the Local and Revenue Audit directorate (Per team)		For annual audit	50,000–1,00,000
			Outside annual audit	4,00,000–5,00,000
			To Senior Officials by Audit team (monthly)	10,000–20,000
4	Audit by the Works audit directorate (per team)		By the DAO	1%–2% of the bill
			For annual audit	50,000–1,00,000
5	Audit by the Civil Audit directorate (per team)	From Chief Accounts Office		20,000–50,000
		From District and Upazila accounts office	From UP chairman	5,000–10,000
			From different public offices	30,000–40,000
6	Audit by the Foreign Aided project Audit directorate (per team)		From Head office	50,000–5,00,000
			From Branch office	50,000–2,00,000
7	Audit by the Commercial Audit directorate (per team)			5,00,000 (per crore)
8	Audit by the Defense Audit directorate (per team)		for public works	50,000–1,00,000
			for ration work	50,000–1,50,000
9	Audit by the Post and Tele-communication Audit Directorate (per team)		For annual audit	20,000–1,00,000
10	For resolving audit objections through Tripartite meeting			4,000 – 5,000
11	For settlement of old audit objections			20,000 (minimum)

5. Comparison with previous research

Comparing with 17 indicators of TIB's earlier research and current research, positive changes are found in seven areas, no changes in seven areas and negative changes are noticed in three areas.

6. Overall Observation

From above discussion it appears that despite being a constitutional body its independence has been violation in many ways. There are a number of institutional problems such as shortage of manpower, lack of logistics and other facilities due to which the CAG Office is incapable of delivering at the expected level. Due to involvement of a portion of CAG officials in corruption, real financial status is not reflected in audit reports. It is also alarming that corruption has institutionalized at different levels of the institution. The concerned ministries do not provide responses timely on their objections. There is also a lack of inaction in implementing recommendations of the PAC. Finally, it can be said that for absence of an effective accountability and punitive measures, transparency and accountability of the government expenditures are hampered.

7. Recommendations

On the basis of the findings, TIB is offering following recommendations:

A. Short term initiatives

Sl. no.	Recommendation	Concerned Authority
1.	The Audit Act, organogram and Rules of Appointment proposed by the CAG have to be approved through dialogues with concerned stakeholders.	Finance Ministry
2.	The appointments of the CAG including its officials and employees should be free from political of influence and interference	President, Prime Minister & CAG office
3.	In the Warrant of Precedence the status of the CAG has to be upgraded equivalent to the Judges of the High Court. The grades of lesser positions will have to be upgraded accordingly. The grades of the DCAG (senior), the ADG (finance) railway, and the DG FIMA should be upgraded to Grade 1, and all the DGs to Grade 2.	Cabinet Division and Finance Ministry
4.	The CAG has to apply his authority mentioned in the constitution for taking decisions including budget and recruitment. The Ministry of Finance has to ensure that the demand of the CAG is met.	Finance Ministry and CAG office
5.	The CAG has to ensure the accountability of the officials and employees at all levels with special importance given to the Quality Control team.	CAG office
6.	There should be a rewarding system for better performance and an effective punishment system for corruption and bad performance.	CAG office
7.	The CAG Office has to make an annual plan for audit. This annual plan has to be uploaded on the website for the knowledge of the government offices and common people. The follow up and supervision should be strengthened for completing the audit task within the deadline.	CAG office
8.	The timeline for finalizing audit reports, submission to the President and	CAG office

Sl. no.	Recommendation	Concerned Authority
	other tasks has to be specific.	
9.	Government offices should be informed about the 'Complain Cell' of the CAG office. The complaint redress mechanism should be made effective.	CAG office
10.	CAG officials from all levels should declare information on individual assets and properties at the end of every fiscal year. Disciplinary actions should be ensured for earning from illegal sources.	CAG office
11.	The audit report should be published through press conference on the same day of submitting the report to the President. The information on important and grand corruptions should be circulated as breaking news in the CAG website scroll. The full reports should be uploaded in the website in the same day.	CAG office

B. Middle term initiatives

Sl. no.	Recommendation	Concerned Authority
12.	The CAG should submit information about the most important and large-scale corruptions to PAC so that PAC can recommend for exemplary punishment.	CAG Office, PAC and Concerned Ministry
13.	The projects for development in the CAG office have to be taken after a need assessment. There has to be rules for recruitment of consultant.	CAG Office & Ministry of Finance
14.	The positions of cadre officers have to be increased up to 30% and the audit team for auditing at field level has to be formed incorporating them.	CAG Office
15.	The Local and Revenue Directorate needs to be separated for better management.	CAG office
16.	All the backlog objections have to be resolved through a crash program.	CAG Office, PAC and Concerned Ministry
17.	There should be an online connection between the CAG and CGA offices to identify the audited institutions with high risk of corruption.	CAG office & CGA office
18.	If required, all audit activities have to be completed through hiring experts on contractual basis. There should be a policy for hiring the expert as well.	CAG Office & Ministry of Finances and Public Administration

C. Long term initiatives

Sl. no.	Recommendations	Concerned Authority
19.	The internal control mechanism has to be established in each ministry for increasing the transparency in public expenditures and accounts.	Ministry of Finance

Sl. no.	Recommendations	Concerned Authority
20.	A strategy for the transformation from compliance audit to performance audit, and gradual increase of manpower and capacity for this purpose has to be developed.	Office of the CAG