

ANNUAL REPORT

1999

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Highlights of The C&AG's Activity

1.	Total Auditable Units	17000
2.	Total Units Audited during 1997-98	6,513
3.	Budgetary Expenditure under purview of Audit (in million Bangladesh Taka) excluding that of Public Corporations, Public enterprises, Public Financial Institutions and Local bodies:-	Tk. 363181.90
4.	Number of Audit Observations in the Audit Inspection Report	137,741
5.	Amount Involved in the Audit Inspection Reports (in million Bangladesh Taka)	Tk. 2,44789.56
6.	Amount Recovered/Adjusted due to Audit (in million Bangladesh Taka)	Tk. 8256.29
7.	Total Audit Observations in Audit Report in the year 1997-98	2300
8.	Total Amount Involved in Audit Report in the year 1997-98	Tk. 11282.37
9.	Total Reports Submitted to the President and Parliament in the year 1997-98	37
10.	Special Audit's Conducted	34
11.	Appropriation Accounts prepared to date	1997-98
12.	Annual Finance Accounts prepared to date	1997-98
	Note: Tk. is a sign for Bangladesh Currency Taka & 1 US\$= Tk : 51.15	

GOVERNMENT AUDIT IN THE NEW MILLENNIUM

-A message from the Comptroller and Auditor General of Bangladesh

It is now well recognised all over the world that the Supreme Audit Institution, because of its independent status (guaranteed by the constitution) and its reporting relationship to the Parliament, can play a very effective role in the enhancement of financial discipline and promotion of accountability of the Government. Government Audit in Bangladesh too in the last 28 years had immensely and evidently contributed in the advancement of fiscal propriety and safeguard of public money and resources from misuse, wastage and misappropriation. Reports produced by Public Accounts Committee and my office over the years would provide statistics about recovery and savings to the tune of billions of Taka accrued to the public exchequer as a sequel to audit recommendations. Audit's existence itself plays a crucial deterrent role against wastage and misuse, and certainly contributes savings in much greater amount than its reported results. This should not, however, give the impression that the office had performed infallibly or unquestionably, or it had no failures in achieving its recognised contribution and realising its perceived potentialities.

I must admit that the approach to audits till now has been mainly negative- focussing only on the non-compliance of rules in transactions, sometimes raising petty objections or referring to trivial issues without mentioning the context or results of these operations. For stressing too much weight on examining the observance of rules and regulations, the audit seemed could not 'see the wood for the trees'.

The other inadequacy of audit is relating to the approach to assess government business or transactions in discrete manner without collating and relating them to the issues of importance, weaknesses in the system and controls of the organisations. As a result, the audit has failed to make any analysis of the cause and effects of the organisational conditions or situations, let alone the observations and recommendations, which the auditors are required to put forward in any rational auditing system.

The third limitation of the audit approach has been our inability to transcend the focus and scope of audit from the traditional financial and regularity questions to VFM or Performance issues. In many countries, during the last three decades this new approach to audit has become entrenched into the system of public auditing as the main tool to satisfy the increasing demands of the Parliamentarians for reporting on the performance issues of public administration. This new method of auditing has given this unique public office an effective mechanism to support both the Executive and Parliament to promote and establish a reasonable transparency and accountability system in public administration. This has also provided the office an opportunity to enhance its own image and status in the public eye, and to establish itself as a reliable think tank in the governance structure. However, we could not yet resort to this potential tool due to the inherent weaknesses in our auditing system and the human resource structure.

Over the last three decades, the dimension and approach to government auditing in different parts of the world have changed significantly in commensurate with the changes in the system of public administration and in the perception of governance, transparency and public accountability. The traditional public administration characterised by regulation, control, and centralisation has been taken over by New Public Management (NPM) attributed by deregulation, decentralisation, reengineering, partnership, privatisation, and Management by Objectives (MBO). The meaning of accountability has also undergone radical changes with the shift of emphasis from accountability of procedures, control and regulation to

accountability of results and performance with entities having full functional autonomy at the operational level. Correspondingly, during this period the demand got up strongly from legislators and the general public for making the government operations more transparent and ensuring good governance in social and economic investment. This has markedly changed the notion of secrecy and confidentiality of the public affairs. It is also now widely believed that only investment cannot ensure development, it requires good governance in the first place and for ensuring good governance, transparency and accountability are two prime prerequisites. These developments in public administration and in the notion of accountability, transparency and governance have led to the development of a new approach to audit (VFM audit), through which audit can indeed add materiality and values in public administration and public financial management.

In the backdrop of these developments, the office with the active support from the Government and in collaboration with the development partners, such as UNDP and DFID of British Government, have recently launched two technical assistance projects namely 'Strengthening the Office of the CAG' (STAG) and 'Reforms in Government Auditing' (RIGA) to enhance the capacity of the office to perform quality audits. These two projects are mainly addressing the development of proper methodology and improvement of skills of audit officials through preparation of internationally compatible Auditing Standards, Audit Code, Audit Manuals, VFM Audit Manual, and conducting of training courses in these Standards, Manuals, IT and Database software. STAG project will also support the development of the technical capacity of the Department by procurement of a modern printing press equipment and establishing a network of computer database in the Audit Directorates and CAG's office.

We are now going through the first generation of reforms in government auditing. These reform programmes have been undertaken in conformity with the on-going administrative reforms in the country. The first phase of reforms in audit are basically addressing the capacity building of the office through development of modern methodology of auditing (audit standards, audit code, VFM and other audit manuals) and skill development of the audit personnel by conducting concomitant professional courses in the newly developed methodology. These are short-term reforms meant for addressing the immediate goals, which can be implemented without much affecting the existing institution and structure.

However, if the structural and institutional constraints of audit are not addressed, the objective of making audit truly effective capable of performing quality audits will not be achieved. For instance, the present human resource structure of the Audit Directorates permit to engage only the clerical personnel to perform basic audit tasks including field visits, data and evidence collection, and report writing. They do not possess the right kind of education, background and intellectual attainment. The cadre officers which comprise only two percent (numbering about 50) of the total strength (3000) in the nine Audit Directorates perform mainly administrative and supervisory work. Conducting quality audits is a research oriented job and demands high level of education, intellectual attainment and understanding of the modern complex audit methodology on the part of the auditors. It also needs experience and specialisation in specific subjects on their part. Unlike accounting and bill passing responsibility, auditing is not a kind of job, which can be efficiently performed by clerical personnel with ordinary educational background. Whatever training is provided and whatever methodology is developed, it would be impossible to overcome this fundamental human resource constrain. It is, therefore, very much essential as well as urgent to bring about changes in the human resource composition of the Audit Directorates and CAG's office to attempt undertaking quality audits.

Similarly, the present organizational structure of CAG and its Audit Directorates is almost two and half decades old and is really out of place to support conducting modern quality auditing. The present organisation structure was created to conduct only the financial and regularity audits of the public sector entities and is not suitable for conducting sophisticated performance and issue based audits. To cite another example, though revenue had always been an important subject and there had been reports of anomalies, evasion and irregularities in revenue assessment and collection, no unit was ever created under CAG, which can take up this important subject for auditing. This would indicate the kind of institutional reforms the office needs to enhance its capacity for performing quality and modern auditing, and thereby effectively assist the Parliament and Government in enhancing and establishing transparency, accountability and good governance in public administration.

If my office is given full authority to reorganise the existing institutional and human resource structure according to our needs, audit's potentially strong role against corruption, financial mismanagement, wastage and non-performance in public sector entities could be substantially improved. In the context of the above mentioned changes in the concept of public administration, issues of transparency and accountability, approach to auditing, as well as the burgeoning rise of public spending for social and economic development, it is imperative that institutional and structural reforms in audit should take place on an urgent basis.

Audit cannot be called independent so long it has to work under the bureaucratic control of the Ministries of Finance and Establishment in matters of personnel management and finance. The office should not also be subjected to the Rules of Business of the Government so that it can function independently in the true sense of the term and as guaranteed by the constitution of the country. So, it is my earnest request to the Government to consider these constraints of my office and provide us adequate support so that we could undertake and implement proper reform programmes involving institutional and structural changes, which would enable us to efficiently render our responsibilities as enshrined in the constitution.

Syed Yusuf Hossain
Comptroller and Auditor General
of Bangladesh

Introduction to Bangladesh Audit Department

Legal Mandate

The Comptroller and Auditor General (CAG) of Bangladesh heads the Government Audit Department. The President of the country appoints the CAG, who retires at the age of 60 in accordance with the provision of the constitution. This Office was established in 1973 according to the provisions of the constitution of Bangladesh to conduct audit of all Government departments and other public bodies. The Comptroller and Auditor General (Additional Functions) Act of 1974 entrusted the Auditor General with the responsibility for keeping the Government Accounts as well. In all, about 13,000 audit and accounting personnel are working in the Department.

Secretariat of the CAG

Three Deputy Auditors General and other officers working in the Secretariat of the CAG (called Audit Bhaban) assist him to plan, coordinate, monitor, evaluate and ensure the quality of both the audit and accounts functions of the Department. The Secretariat also arranges submission of the Audit and Accounts Reports of the CAG to the President and Parliament. In addition, the Secretariat is also responsible for the overall planning and management of the financial and personnel affairs of the entire Department.

Audit Directorates

The CAG has 9 Audit Directorates that assist him in carrying out statutory audits. They are:

1. Commercial Audit Directorate
2. Local & Revenue Audit Directorate
3. Civil Audit Directorate
4. Works Audit Directorate
5. Foreign-Aided Projects Audit Directorate
6. Defence Audit Directorate
7. Railway Audit Directorate
8. Overseas Missions Audit Directorate
9. Postal & Telecommunication Audit Directorate

Each of the Audit Directorates is headed by a Director General and is responsible for conducting external audits in a specific functional area of the public sector. A Director, several Deputy Directors and a number of field auditing staff, who is grouped into teams, assist the Director General. The Draft audit reports of the Directorates are sent to the CAG's office for quality assurance and approval of the CAG. With the approval of the CAG, the reports are sent to the President, who arranges to place them before the Parliament. About 3000 personnel of different category are working in the auditing area. The Constitution bestows upon the CAG complete independence by stipulating that 'CAG shall not be guided by any other person or authority in the conduct of audit'. Furthermore, the Constitution empowers him to have unrestricted access to any government office or entity, official, property or documents to conduct audit of any government department or government owned entity.

	Directorates	Functional areas	Composition of manpower
1.	Commercial Audit	All Public Corporations and State Owned Enterprises (SOEs) including National Commercial Banks (NCBs) and Financial Institutions.	Professional- 405 Support staff- 644 Total = 1049
2.	Local and Revenue Audit	All Civil Government Departments, Local and Statutory Bodies including Municipalities/City corporations. Universities etc.	Professional-190 Support staffs-425 Total = 615
3.	Civil Audit	Financial Statement Audit of Accounts of the Republic maintained in all office of the Controller General of Accounts, 400 Thana Accounts Offices, 64 District Accounts Offices, 20 Regional Accounts Offices and 20 Chief Accounts Offices.	Professional- 73 Support staffs-241 Total = 314
4.	Works Audit	Works expenditure relating to Public Works Department. Roads and Highways Department, Water and Power Development Boards, Dhaka Electric Supply Authority, Water and Sewerage Authority, Civil Aviation Authority of Bangladesh, Local Government Engineering Department (LGED), Public Health Engineering Department, Rajdhani Unnayan Kartripaksha and other city development authorities.	Professional- 89 Support staff- 272 Total = 361
5.	Foreign Aided Projects Audit	All Development, Investment and Technical Assisted Programs & Projects in the public sector funded by Foreign Aid.	Professional- 119 Support staff- 177 Total = 296
6.	Railway Audit	All establishment of Bangladesh Railway	Professional- 53 Support staff- 156 Total = 209
7.	Postal and Telecommunication Audit	All establishment of Postal, Telephone Departments and the Offices of the Chief Accounts Officers, Ministry of Post and Telecommunications.	Professional- 55 Support staff- 242 Total = 297
8.	Defence Audit	All units/formations of Armed Forces, Inter Services Organizations and Offices of the Defence Finance Department	Professional-56 Support staff -134 Total = 190
9.	Overseas Missions Audit	All Overseas Bangladesh Missions, Nationalised Banks, Shipping Corporation Offices, Biman Offices, etc, situated abroad.	Professional- 11 Support staff- 29 Total = 40
			Total Professional-1051 Total Support Staff-2320

➤ **Accounting Offices**

The 1983 amendment to the Comptroller and Auditor General (Additional Functions) Act made provision for keeping the Government Accounts by the Government Ministries and Departments as well. However, the Government has not yet taken over this responsibility from the CAG. In order to discharge the obligation of keeping the accounts of the Republic, the CAG has three main offices. They are:

- I. Controller General of Accounts (CGA),
- II. Controller General Defence Finance (CGDF),
- III. Additional Director General (ADG)/ Finance, Bangladesh Railway Authority.

➤ **Civil Accounts**

The CGA is responsible for the accounts of the Government Civil Departments, CGDF for the Defence Department and the ADG for the Railway Department. Among the three, the CGA has the biggest establishment- about 500 accounting offices- 21 Chief Accounts Offices (CAO), 20 Regional Accounts Offices, 64 District Accounts Offices and 400 Thana Accounts Offices. CGA is also responsible for compilation of the Monthly and Annual Accounts (Finance Accounts) of the Government as a whole incorporating those of the Defence and Railway Departments. The CGA has more than 7000 accounting and pre-auditing personnel at his disposal. The total number of employees working under CGDF and ADG (Railway) is 1885 and 1436 respectively.

Each of the CAOs is attached to one or more ministries. In addition to assisting the CGA in compiling the monthly and annual accounts of the Government, the CAO also plays an important role in public financial management by providing the Secretary (Principal Accounting Officer-PAO) advice and information on financial matters relating to the department(s) under the Ministry/ Division. As such, the CAOs have a dual responsibility- both to the Secretary (PAO) and the CGA. This arrangement was made in 1983 as a step towards departmentalisation and separation of accounts from audit.

Major reforms in the Government Civil accounts have been implemented by the Reforms in Budgeting and Expenditure Control (RIBEC) Project of the Finance Division. The old classification system of accounts and budgeting has been replaced by the new 13-digit code system, which have already been implemented. Accounts consolidation system in CGA and all CAOs have been computerised to enhance their capacity to produce monthly accounts, management reports and also year-end Appropriation Accounts and Annual Finance Accounts more efficiently and timely. All CAOs have been networked with CGA's system. Regional Accounts Offices in Chittagong, Khulna, Rajshahi and Dhaka have been computerised and linked with the CGA system through modem.

➤ **Defence Accounts**

The Office of the Controller General Defence Finance (CGDF) was set up under the Ministry of Defence with the introduction of the Revised System of Financial Management in 1982. All disbursements of Bangladesh Army, Bangladesh Navy, Bangladesh Air Force and other offices of Defence Service are met through the offices of 5 Senior Finance Controllers and **11** Finance Controllers under over- all control of CGDF. The total number of employees working under CGDF is 1885.

➤ **Railway Accounts**

The Railway Accounts Department disburses all funds of the different establishments of the Railway Department through **11** disbursing offices and prepares Annual Accounts of the Railway Department.

➤ **Annual Budget**

The annual budget of the offices under CAG is treated as 'charged' expenditure in accordance with the constitutional provision, which means this budget is not required to be voted by the Parliament. Nevertheless, the budget is scrutinised and approved by the Ministry of Finance. The annual budget of the Department for the year 1998-99 and 1999-2000 is shown in the Table below:

Year	1999-2000 (Tk. in million)
CAG	30.75
Audit Directorates	292.27
Accounts (CGA, CGDF & Railway Accounts)	835.76
Financial Management Academy	12.68
Total	1171.46

Parliamentary Review of Audit Reports Strengthen the Accountability process

The Auditor General's Reports are placed before the Parliament as per Constitutional requirements. Since independence the Auditor General has so far placed 246 Audit Reports, 31 Special Audit Reports, 109 Appropriation Accounts, 31 Finance Accounts and 50 Annexes to the Parliament. Last year (1998-99) the Auditor General has placed 11 Audit Reports, 20 Special Audit Reports and 4 Appropriation Accounts to the Parliament.

Auditor General's Reports to the Parliament are discussed by the Committee on Public Accounts (PAC) and Committee on Public Undertakings (PUC). Traditionally the Audit Reports and related issues are considered to be the domain of the PAC and the PUC restricts itself to efficiency and effectiveness issues of the commercially run government institutions.

r Public Accounts Committee (PAC)

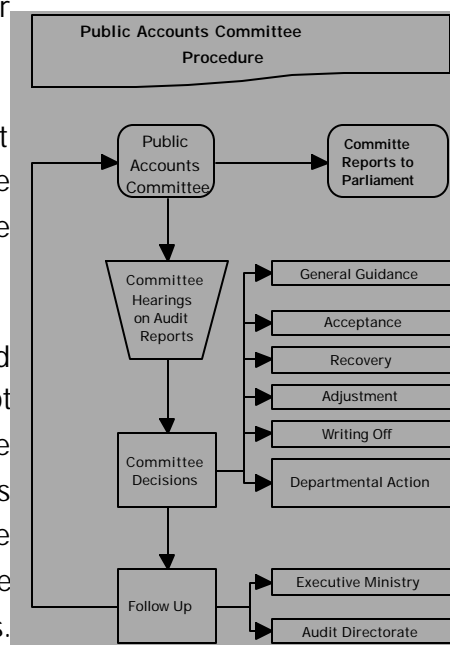
The Committee selects important paragraphs and comments from the Audit Reports for in-depth scrutiny. In making these selections the Committee is assisted by the Auditor General's Office. The Committee takes evidence from senior officials of executive ministries and agencies.

In 1999 it examined 15 Special Audit Reports and 7 Annual Audit Reports. The Comptroller and Auditor General and the respective Audit Office staff were also available for clarifying points to the Committee in its deliberation.

The Committee publishes its own Report, which is in turn placed before the full House of the Parliament. These Reports are not debated on the Floor of the House. The PAC Reports on the Auditor General's Report include the responses of the Ministries and Executive Agencies along with the recommendations of the Committee. By tradition and administrative practice, these recommendations are binding on the Executive Agencies. Subsequently, the Committee monitors the progress of

implementation of its recommendations through its follow-up and implementation meetings. In 1999 the PAC of the 7th Parliament did not submit any Report to the House. Earlier, it had submitted 3 reports covering its initial 34 meetings.

Till its 34th Meeting the PAC has taken more than 500 decisions on numerous Audit reports. The average rate of PAC decisions per meeting is 15. The official minutes of the rest of the



PAC meetings, which includes verbatim report of the deliberations, are presently being finalized by the Parliament Secretariat with the assistance of the Auditor General's Office.

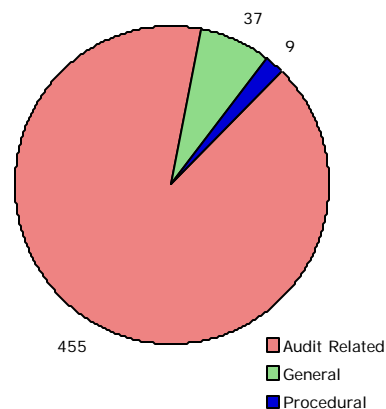
r Public Undertakings Committee (PUC)

The Committee does not usually take up specific Audit Reports for discussion, it heavily draws on the findings of the Auditor General's Reports. It generally draws on the findings of the Auditor General's Reports. It selects a number of commercially run government organisations for in-depth scrutiny with the assistance of the Auditor General's Office. The Committee takes evidence from senior officials of the government agencies and the controlling Ministries. Related Audit Office staffs are also available for assisting the Committee in its deliberation. In 1999 the Committee held 8 meetings related to 3 Ministries and affiliated organizations. The Committee publishes its own Report, which is in turn placed before the full House of the Parliament. These PUC Reports on the public undertakings include the response of the Agencies along with the recommendations of the Committee, which by tradition and administrative practice are binding on the Agencies. In 1999, however, the PUC of the 7th Parliament did not submit any report to the House.

r Committee Meetings

Respective Audit Offices according to the selected agenda of the Committees prepare the working papers of both the PAC and PUC meetings. The Auditor General, or a senior official from his office, remains present in the meeting as 'amicus curiæ' in addition to the related officers of the respective Audit Offices.

PAC Decisions till the 34th Meeting



Reform Initiatives to Improve the Quality of Audits

The Office of the Comptroller & Auditor General (OCAG) of Bangladesh is committed to the professional development of its staff and to the continuous improvement in the quality of audit to face the challenge of the new millennium. The OCAG is, therefore, earnestly pursuing the audit reforms in conformity with the financial management reforms that are currently underway in the public sector. It is obvious that benefits to be reaped from financial management reforms shall remain incomplete without simultaneous and concomitant reforms in the system and practices of government auditing. This reality accompanied with the persistent endeavor of the OCAG to reach the coveted goal of professionalism in auditing led to undertaking a conscious reform agenda being implemented through three Technical Assistance Projects aided by UNDP and DFID. These projects are addressing specific spheres of government auditing.

The Projects are:

- * Strengthening the office of the Comptroller & Auditor General (**STAG**) Project.
- * Reforms in Government Audit (**RIGA**) Project.
- * Enhancing Training Facilities of Financial Management Academy (**FIMA**) Project.

STAG Project

The STAG project mainly aims at enhancing the capacity of the OCAG in establishing effective and modern audit practices. This is a three-year rolling project, which was approved in July 1998, but could not start actual functioning before June 1999 because the PIS of the Project could not be appointed by UNOPS before that. The main outputs of the Projects are:

- * Develop internationally accepted Government Auditing Standards
- * Prepare Value for Money (VFM) Audit Manual and guidance materials.
- * Carry out training courses in Auditing Standards and VFM auditing.
- * Carry out pilot VFM audits.
- * Develop a database of audit information and computer networking between CAG office and all Audit Directorates
- * Create a cell in the OCAG to assist Public Accounts Committee and Public Undertakings Committee of the Parliament to carry out their functions effectively.
- * Prepare Action Plan to initiate reorganisation and enhance independence, role and the capacity of the CAG's office.

The Project envisages bringing all the Audit Directorates and the OCAG in a single computer network system to set in place a central database storing the auditing records of all Audit Directorates. With this end in view, the Audit Directorates had already been provided with computers and network printers.

For the first time, Government Auditing Standards developed by STAG Project in conformity with INTOSAI standards were launched in February 2000 and were adopted by the Office. Audit Directorates have been given instructions to strictly follow these Standards in carrying

out the audits. An elaborate training program is now under implementation to indoctrinate a large section of audit staff in the Auditing Standards.

Besides, two groups of officers visited Australia, Singapore, UK, Canada and the USA in order to share experience with the Supreme Audit Institutions of these countries. One of the groups, headed by the CAG, met the Auditors General of the UK and Canada, and Comptroller General of the General Accounting Office of the USA. He had a very fruitful discussion with the head of these SAIs on the possible assistance from them in the arena of training and professional development.

RIGA Project:

This Project is mainly responsible for piloting the reforms in the Directorates of Civil Audit & Local & Revenue Audit. The Project started functioning in April 1999. It has the following tasks to complete:

- * Updating the Audit Code.
- * Updating and preparing Audit Manuals for Civil Audit Directorate, Local Audit Directorate and Revenue Audit.
- * Preparing guidelines on VFM Audit.

An updated Audit Code reflecting the modern standards and practices developed by the project was launched in July'1999. This has replaced the old Audit Code, which had been in use since 1958. Besides, the Civil Audit Manual accommodating the latest audit scope and standards as laid down in the Audit Code & Government Auditing Standards have recently been launched, while preparations are afoot to launch the Local & Revenue Audit Manuals very soon.

As regards training, as many as twenty officers have so far been imparted BEST- 'Building Essential Skills in Training' and later these officers trained most of the staff members of the Civil Audit Directorate on the application of Audit Code & Audit Manual. Besides, with a view to getting the officers equipped with the modern techniques of auditing, a number of officers were sent to different universities in the UK to attend in different courses including Masters Programme. Two more officers have completed an attachment programme in the office of the Auditor General of Northern Ireland under the sponsorship of RIGA Project.

FIMA Project

The Audit & Accounts Training Academy was restructured, renovated and renamed as FIMA (Financial Management Academy) in 1996 to develop it into a centre of excellence in the field of public financial management training across the Government. With this end in view, FIMA project was taken up in April 1999. The Project envisages the following target outputs:

- * To design and develop senior level training courses in Government Financial Management with special emphasis on IT.
- * Examine the feasibility of introducing Distance Learning Program.

MAAB Course: As part of senior level training courses on Government Financial Management, FIMA introduced a nine-week **Management, Accounting, Auditing & Budgeting (MAAB)** course for mid and junior level officers across the government. The course aims at getting the officers acquainted with the rudiments of Government Financial Management, Accounting, Auditing & Budgeting to enhance their knowledge, skill and

professionalism in this important area so that the overall efficiency in financial management across the government is enhanced. This course has been widely acclaimed at all levels. Besides, to make this course more attractive to the participants, about 20 of the best participants are sent to University of Ulster, UK every year to attend Masters Programme in Government Financial Management. During the last three years, about 180 officers across the Government participated in this course and 65 officers were sent to the UK to attend above-mentioned university masters' programme.

FIMA Project has also organised the following short training courses:

BEST - This is a week - long program for trainers aimed at building essential skills in Training. The skills acquired through this training are disseminated to the other trainees.

TIBAS - A two-week long program for mid-level officers across the Public Sector aimed at providing training in Budgeting & Accounting system.

Outline of the Government Accounts

All financial transactions of the Government of Bangladesh, as per constitution, are reflected in:

- (1) Consolidated Fund, and
- (2) Public Account of the Republic

Excepting some departmentalised accounts (i.e. Railway, Postal, T&T), all other departments performing any particular function of the Government or a group of functions as per Allocation of Business under Rules of Business of the Government, operate in the above two parts under a centralised arrangement. The Controller General of Accounts (CGA) acts as Pay Master as well as Accountant for these departments taken as a whole.

The Controller General of Accounts (CGA) is responsible for maintaining the Government Cash Book showing Government's Cash Balance in Bangladesh Bank. The responsibility for preparation of the Annual Finance Accounts is vested in the Comptroller and Auditor General (C&AG) according to the article 4 of the Comptroller & Auditor General (Additional Functions) Act, 1974.

Finance Accounts reflect the total annual receipts and disbursement of the Government. On behalf of the C&AG, the Controller General of Accounts prepares the Annual Receipts and Disbursement Accounts as well as Balance Sheet of the Government every year incorporating Assets and Liabilities of all the departments including Postal, Defence, and Railways adjusted on a cash basis. The Balance Sheet does include accrued receipts and charges as Government accounts are kept on 'cash basis'. For the same reason, the assets include only the financial assets. Physical assets are not included because these assets are not valued as such in Government main account. However, accounts of physical assets of government commercial undertakings such as Postal, T&T, Railway etc. are maintained outside the regular account on a Performa basis.

Summary of the Annual Finance Accounts for the year ended 30th June 1998 is given below:

Annual Finance Accounts

For the year ended 30th June, 1998

Consolidated Fund

Receipt	TK. (Million)	Disbursement	TK. (Million)
Opening Balance (01-07-97)	(-) 95,626.84	Revenue Expenses	158,664.59
Revenue Receipt (Tax and Non-Tax) 191,381.81		Development Expenses (Revenue)	33,694.40
Foreign Grants <u>15,163.49</u>	206,545.30	Development Expenses (Capital)	51,415.65
<u>Loan Received</u>		Capital Development (outside Revenue Budget)	20,592.36
Domestic Loans 3,153.60			
Current Loans 72,459.20			
Foreign Loans <u>13,693.95</u>	89,306.75	<u>Loan Repaid:</u>	
Loans and Advances Given by Government Currency Capital Account	5563.43	Domestic loans 8363.33 Current loans 47,095.69 Foreign loans <u>14,590.35</u> Loans & Advances Loans and Advance for development Cash Balance (30-06-98)	70,049.37 1,596.58 9,485.83 (-) 139,710.14
Total Consolidated Fund	<u>205,788.64</u>	Total Consolidated Fund	<u>205,788.64</u>

Annual Finance Accounts
For the year ended 30th June, 1998

Public Account of the Republic

Receipt	TK. (Million)	Disbursement	TK. (Million)
Cash Balance (Opening)	81,262.74	State Provident Fund	4,238.84
State Provident Fund	8001.25	Postal Savings Certificate	21,277.02
Postal Savings Certificate	39862.46	Reserve Fund	246.06
Reserve Fund	3906.61	Local Fund	833.33
Local Fund	838.71	Other Deposit	29,888.14
Other Deposit	12,356.36	Foreign Grants Deposit	2,447.52
Foreign Grants Deposit	2,445.38	Refundable Advance	8,144.46
Refundable Advance	26.08	Suspense Accounts	1,29,483.50
Suspense Accounts	1,46,471.00	Special Deposit	31.59
Special Deposit	8,193.01	Remittance	1,38,260.83
Remittance	1,59,987.21	Cash Balance (30-06-98)	1,28,499.56
Total Public Accounts	463350.81	Total Public Accounts	454873.17
	1		1
Total: Government Accounts	<u>4,02,876.7</u>	Total: Government Accounts	<u>4,02,876.75</u>
	<u>5</u>		<u>5</u>

Appropriation Accounts

Article 128 of the Constitution of the People's Republic of Bangladesh and Rule 4 of Comptroller and Auditor General (Additional Functions) Act, 1974 empowers the C&AG to prepare the Appropriation Accounts.

A comparative statement showing detailed head-wise final budget allocation, actual expenditure of different ministries and their subordinate offices with explanations of variances (if any) are included in the Appropriation Account. On behalf of the C&AG, the Controller General of Accounts prepares two sets of Appropriation Accounts (Civil and PT&T), the Controller General Defence Finance prepares the Appropriation Accounts for Defence Ministry, and the Additional Director General (Finance), Bangladesh Railway prepares the Appropriation Accounts for the Railway Department. Directorates of Civil Audit, PT&T Audit, Defence Audit, and Railway Audit respectively are responsible for auditing these Appropriation Accounts.

Appropriation Accounts for the year ended 30th June, 1998 includes irregularities like the following:

- (i) Excess of expenditure over the budget allotment;
- (ii) Failure spend money as per budget allocation;
- (iii) Expenditure without budgetary provision.

Some examples of excess and (under) expenditure over the budget appropriation by different administrative authorities are shown below:

Appropriation Accounts
For the year ended 30th June, 1998

Major Over / Under Spending (Revenue): 1997-98

Major Head of Accounts	Over/(Under) Expenses in Tk.(Million)
102- Administration of Justice	20.41
105- National Board of Revenue	(26.51)
106- Custom	1.87
109- Land Revenue	58.45
119- Foreign Affairs	(81.90)
132- Civil Works	(44.78)
140-Pension and Retirement Benefit	801.69
155- Agriculture	122.67
168- Road, Bridge and Ferry	(120.40)
177- Interest on Loan	2,901.34
193- Floating Debt	21,365.69

Major Over / Under Spending (Development): 1997-98

Major Head of Accounts	Over/(Under) Expenses in Tk.(Million)
204-Live Stock	(91.11)
214-Transport	56.24
219-Dev.Misc.	(836.97)
270-Misc. Investment Development	(614.29)

Attending to Public Complaints

A unit in the OCAG was established in 1997 with a view to attending to the complaints relating to personal claims and other irregularities committed by different offices under OCAG. This unit generally receives complaints on problems of pay fixation, pension, provident fund and service conditions etc. As everybody has a direct approach to this cell, sometimes baseless and irrelevant complaints are also lodged to it. The unit, however, acts upon the genuine complaints in no time. Since inception of this cell, 453 complaints have been received, 252 have been disposed off and 201 are awaiting disposal.

Special Audit

Audit Material- 1997-98

Audit Period- 1998-99

In 1998-99, 34 Special Audit have been carried out. Of them 3 reports have been finalized and works are going on the remaining 31. Moreover, 12 reports of the previous year have also been finalized in this year.

So far 31 Special Audit reports on various issues and organizations have been submitted before the parliament and another 11 reports are ready for submission. The Public Accounts Committee (PAC) of the Parliament has already discussed 19 reports upto May/2000 and various decisions have been taken to regularise the audit observations. The following 9 special audit reports have been submitted before the Parliament in 1999–2000

1. Barind Multipurpose Development Authority
2. 7th South Asian Association of Regional Cooperation (SAARC) Summit held in 1993
3. Six Universities
4. Voter Identity Card Project
5. Suspense Accounts of Roads & Highways Department
6. Creation and Implementation of Dhaka Electric Supply Authority (DESA)
7. Management of Wage Earner's Welfare Fund in the Overseas Missions
8. Management of Hajj Management Fund at Jeddah
9. Flood '93 Damaged Rail Lines, Bridges, Station Buildings etc. Rehabilitation Project

Note: Special Audit report on Prime Minister's Discretionary, Welfare and Relief Fund requested by P.M. office has also been submitted to the P.M. office in July/99.

Salient Features of the Special Audit Reports:

Important findings of the some special audits reports listed above are given below:

1. Barind Multipurpose Development Authority

18 major financial irregularities have been covered in this report involving Tk. 50.92 m. The serious irregularities are:

- (a) 4 offices under the Authority did not realise Value Added Tax (VAT) from the construction contractor's bill amounting to Tk 22.03m though there was a clear government order for realizing VAT at source. During the period July1991-to June1996 no VAT was deducted from the contractor's bill.
- (b) Tk. 17.76m was spent for rehabilitating flood-affected roads of the project area. But the authority could not produce to the audit the damage assessment report to

the audit due to on the flood. So the necessity of the expenses incurred in this regard could not be ascertained by the audit.

- (c) In 1996, Tk 2.70 m was spent for purchasing 27 new electric transformer, repairing 34 old transformers and rehabilitating flood affected electric lines. But no record was found regarding damage report or request for such repair or replacement.
- (d) The Authority had given a work-order for repairing 200 transformers at the cost of Tk.1.80 m. But the contractor was paid Tk. 4.09 m instead of Tk 1.85 m for repairing 205 transformers. As a result a loss of Tk. 2.24m was incurred.
- (e) A tender was floated for surveying 4000 pumps in the project area. The lowest bid was Tk. 115 per pump. But the authority had given the work-order at Tk. 575 per pump. They argued that the lowest 3 rates were not acceptable from the technical point of view. But, as the difference was too high re-tender should have been called but no re-tender was called for. As a result a loss of Tk.1.70 m was incurred for the survey of 3709 pumps.

2. Voter Identity Card Project.

Audit found irregularities of Tk. 149.55 m in 15 observations. The major findings were:

- (a) A tender was called to prepare and distribute identity cards among the 56.1m voters of the country. The lowest bid was Tk. 11.85 per card. But the project authority without any re-tender fixed the rate at Tk. 15.41 per card and gave work-order to the various contractors. Upto the audit period of July/97, the contractors were paid for 14.9m cards. As a result Tk. 53.0m was loss and it will continue to increase for the remaining 45.1m card.
- (b) 62 offices under the project did not realize Tk. 25.72 m VAT from the printing contractors as per government order though it was supposed to be deducted from the bill at source. Another 32 offices realized Income Tax from the various contractors which was TK. 19.4 m less than the actual figure.
- (c) Tk. 1.42m loss was incurred due to supply of excess papers to the contractors for printing of voter list and voter ID cards.

3. Creation and Implementation of Dhaka Electric Supply Authority

The major findings are:

- (a) Analysis of Sectorwise Accounts Receivable (SAR) data reveals that Tk. 9990.0m was remains outstanding to the different government, semi- government, autonomous, private organization/ individual during the period July/92- June/98. This amount is equivalent to 12.62 months billed amount and 27% of last 6

year's (Dec/91-June/97) income. Whereas a parallel organization, Rural Electrification Board (REB), has an outstanding of 1 month's bill only.

- (b) During the period 1991-92 to 1997-98, DESA had purchased 28380.33 MKWH electricity from the Power Development Board (PDB) but the total billed amount for this period was 19923.32 MKWH, which is 29.79 % less. But the System Loss in REB is only 15 % which is internationally acceptable. So, 50% of the System Loss in DESA is unacceptable and for this during the last 7 year Tk. 9930.00 m loss was incurred.
- (c) In the year 1991-97, DESA spent Tk. 8920.0m over their income. The causes for this expenditure over income are excessive overhead expenditure (in 1996-97 it was Tk. 547.6 m), huge loan and interest repayment, excessive system loss, outstanding etc.
- (d) DESA possesses excess manpower but the overall management is still inefficient. In DESA the consumer and staff ratio is 133:1 and 1 staff is engaged for 1.27km line. In REB the consumer and staff ratio is 230:1 and 1 staff is engaged for 12km line. But the system loss is double in comparison to REB, which indicate the inefficiency of the organization.
- (e) Tk. 12,870.0 m was spent to reduce the system loss of DESA under two projects ending in June/97. But the system loss was decreased only by 7.6% (from 35.5% to 27.9%) which is a frustrating situation. In the year 1992-93, it was reduced by 4.3% but in other years the figures are not encouraging.

4. Six Universities

27 audit observations are compiled in this report involving Tk. 51.66m. The major findings are:

- (a) The pay of the teachers and other staff of all the six universities are fixed irregularly. As a result, a huge amount is overdrawn in every year. The irregularities are so multidimensional that the exact overdrawn cannot be calculated by the audit. Some major irregularities are :
 - (i) undue extra increment
 - (ii) scale upgradation of certain posts
 - (iii) sanction of higher scale without promotion
 - (iv) promotion beyond the sanctioned post
- (b) Tk. 6.64m was given in advanced to the different teachers and staff of the 4 universities (Dhaka, Rajshahi, Jahangirnagar and Engineering & Technology University) in 1995-97. In another case Tk. 1.01m advance was given to the different teachers and staff by the Dhaka university authority during the period 1977-96. But these have not been adjusted till the audit period, 1998.

- (c) During the year 1996-97 Rajshahi and Chittagong university paid Tk. 7.21m excess and advance Bonus (1 month's salary equivalent) to the employees. Rajshahi university gave 1 advance bonus amounting TK. 6.86m and Chittagong university gave 1 extra bonus amounting Tk. 0.34m.
- (d) Dhaka university did not realize Tk. 5.22m from the officers and staff who availed office transport for going to and coming from office. 6 microbus and 2 minibus are used to transport them but no fare is realized since 1985 Whereas the students are paying transport charge.
- (e) Tk. 1.63m transport allowance was given to the employees who lived in the Chittagong, Jahangirnagar and Agricultural university campus though there is a restriction to give transport allowance for this category of employees.
- (f) In 1996-97, Rajshahi, Chittagong and Jahangirnagar university paid Tk. 1.52m excess to the teacher and other employees for house rent allowance. Rajshahi university paid 7.5% extra house allowance in addition to the normal to the employees/teachers who are entitled to rent free housing but could not be provided. Chittagong university paid Tk. 0.22m house rent to the successor of the deceased employees. Jahangirnagar university paid Tk. 1.13m excess on account of expensive rate though the campus is outside of the expensive area, 7.5% house rent was not deducted and a full amount of house rent allowance was granted to some employees who were availing accommodation facilities.
- (g) During the audit of Chittagong university it was found that in 1996-97, there were an excess of 131 Professors, 31 Associate Professor and 15 Assistant Professors against the sanctioned post. Though in 1994 the ministry of education gave a directive not to give promotion by upgrading the posts. The overdrawn amount of Tk. 1.92m was calculated for 11 professors. So, the total might be Tk. 30m.

5. Flood'93 damaged Rail lines, Bridges, Station Buildings etc. Rehabilitation Project

The report contains 9 audit observations covering Tk. 10.38m. The important observations are:

- (a) An 80 feet bridge has been constructed on a river under this project at the cost of Tk. 6.14m. But the bridge is smaller than the width of the river. As a result, during the rainy season when the water rises up, the bridge blocks the water flow and a large area is flooded by damaging the banks of the river near the bridge. To address this problem, a flood protection work had to be taken under Flood'95 Project at an estimated cost Tk. 2.40m to repair the damaged bank. For this poor planning the desired benefit could not be achieved from the bridge, moreover another Tk. 2.40m is to be spent.

(b) Tk. 1.91m was spent for repairing vehicles, cost of fuel, contingency, repairing railway track in the Chittagong-Nazirhat section etc. But there is no provision of such expenses in the project proforma.

6. Wage Earner's Welfare Fund in 6 foreign missions abroad

11 serious financial irregularities have been compiled in this report involving Tk. 79.55m. The report covers the accounting period 1990-97 of the Welfare Fund of 6 Bangladeshi missions abroad namely Abu Dhabi, Dubai, Muscut, Kualalumpur, Manama and Jeddah. The major findings are given below:

- (a) The Kualalumpur mission collected MR 30.34m as consular fee. According to the principles of the Welfare Fund, a surcharge (10% of the consular fee) should be collected with the consular fee. So, MR 3.03m equivalent to Tk. 52.0m should be collected and deposited to the Welfare Fund but audit could not find any proof that it was deposited to the fund.
- (b) The Manama, Dubai and Muscut missions donated Tk. 12.83m to the Bangladeshi schools and institutions violating the principles of expenditure of the fund and the directives of the Management Board.
- (c) Upto october/97 Omani Rial 55,549 equivalent to Tk. 6.49m was accrued in bank account of Welfare Fund of the Muscut mission. But this fund was not transferred to the central fund in Dhaka though the Ambassador was requested to do it. Moreover, a handsome amount was illegally spent for mission expenses.
- (d) During the period July/96-June/97, the Kualalumpur mission spent MR 2,55,522 from this fund. Of them only MR 11,923 (%) was spent for the welfare of the workers and the rest MR 2,43,599 (%) equivalent to Tk. 4.17m was spent violating the objectives of the creation of the fund like repairing office room, purchasing camera, photocopier, stationeries, furniture, cleaning materials, transportation of diplomatic bags, daily and travel allowances, cleaning charge, payment of staff salaries etc.
- (e) The Manama and Kualalumpur missions paid Tk. 1.97m to the staff from the fund on account of overtime and office transport. This is a clear violation of the fund principles relating to money retention and its uses.

7. Hajj Management Fund, Jeddah

Twenty one serious financial irregularities are included in this report amounting Tk. 7.36m covering the account of 1983-97. Another 5 audit observations on accounting irregularities are also included in this report. The important findings are as follows:

- (a) It was found that SR 0.18m was spent for the hotel fare of the Hajj delegates from this fund during the above mentioned period. Though from the year 1990 a house comprising of 41 room was rented every year for the Hajj delegates and others.

- (b) In 1987, Tk. 1.42m was spent for hotel and accommodation fare in Mecca and diet charge in Meena and Arafat for the Religious Minister, some MPs and other special guests and also for bus fare from Madina to Mecca for MPs. There is no provision of such expenditure from this fund. Moreover, the ministers, MPs and the guest get travelling allowance as per rules and they should not get any financial benefit from this fund.
- (c) It was found that Tk. 1.31m unspent and deposited money was sent to the Ministry of Religious Affairs through some bank drafts. The money should be directly deposited to the government exchequer instead of sending it to the ministry. However, no information was received whether that money was spent or deposited to the government exchequer by the ministry.

Performance Audit

For the first time in the history of Bangladesh a Performance Audit has been conducted and finalized in the year 1998-99 by the request of the Public Accounts Committee (PAC) of the Parliament on the National Book Centre (NBC). The report is now ready for submission before the parliament. The important features of the report are discussed below :

1. Audit Objectives

- (a) whether the organization is running by the principles of economy, efficiency and effectiveness and evaluating its success and failure in achieving its goal and objectives.
- (b) Analysis of the financial management of the organization.
- (c) To verify that the organization takes necessary and remedial steps on the basis of the previous audit report.

2. Scope of Audit

The performance aspects of this audit are :

- (a) Activities of the organization
- (b) Responsibilities vested upon it and its success and failure in achieving its goal and objectives
- (c) Evaluation of the result of the activities/services rendered by it.
- (d) Evaluation of the effectiveness of the activities and procedures taken for its programmes.
- (e) Evaluation of the effectiveness of the internal control system, management procedure etc.
- (f) Evaluation of the accountability system of the organization.

3. Audit Methodology

Legislature of the organization, Book Policy of the government, various documents and files were examined during the audit. Moreover, to evaluate the effectiveness of the activities of the organization opinion of the organizers of 307 private libraries were taken by sending structured questionnaire all over Bangladesh. Opinions of the publishers were

also collected by sending similar questionnaires to the 50 publisher and interviewing with some of them. Some libraries at the field level were visited and opinion of some local administrators were also collected. Moreover, activities of the different sister organizations like Directorate of Public Library, Bangla Academy, National Library and Archives, World Literature Centre (Vishsha Shahitta Kendra) etc. were comparatively evaluated and their views about National Book Centre were collected.

4. Audit Criteria

On the basis of the Book Policy of the government, the responsibilities vested on it in the Act, 1995 and generally accepted management policy and procedure, the audit criteria were fixed. These are given below :

- (a) The Government will take all necessary institutional activities in aiming human resource development by all-out efforts by encouraging book development, publishing and its uses and will take necessary steps to help all group of the book area.
- (b) The Government and the executive authority will fix its definite objectives so that the achievement of the organization can be measured.
- (c) The planning of the programmes should be designed on the basis of demand, necessity and priority.
- (d) The duties and responsibilities of the ministry, Book Centre and Board of Directors should be mentioned definitely in the programme.
- (e) Economy and Effectiveness principles should be followed in implementing the programmes.
- (f) Necessary monitoring, evaluation and accountability system is necessary for programme implementation.
- (g) Sufficient control system is essential in case of programme implementation and spending money.

5. Activities of the Book Centre

National Book Centre was established to carry out the responsibility to promote book and study all over the country. According to the law made in 1995, the major responsibilities of the organization are:

- (a) Collection and publication of data on books and publication.
- (b) Investigation and publication of the demand and preference of the readers.
- (c) Development of the book publication and marketing system.
- (d) Creation of more and extensive reading tendency and interest among the people.
- (e) Arrange displays of current and scarce books.

- (f) Arrange national and international seminars, workshops, symposiums etc. relating to book and also arrange and organize book fair etc.

6. Major Findings

(a) Stagnate condition of the activities

Audit found lack of proper planning, funding, effective directives and initiatives in implementing different activities. Though the basic responsibility is book development, but stagnate conditions are prevailing in the other related activities like (i) research and survey on different issues and publication of its results, (ii) training, seminars, workshops for writers, publishers, printers of the books, (iii) supporting book publication and marketing, (iv) different activities taken for developing reading habit, (v) arranging book fairs in the field level etc. Previously these activities were taken under various projects. But after completion of these projects the activities were closed down due to lack of fund from the revenue head. Lack of continuity of these activities hampers the main objectives of the organization.

(b) Main objectives of giving grants to the private libraries is not being achieved due to not supplying foreign and reference books

The centre supplies various books as grants to the private libraries to enrich the library as well as the readers from both revenue and project heads. But there is no provision for supplying foreign and reference books; as a result books are not being supplied according to the demand of the readers. The amount of the grants every year is higher than the new books published in the market every year. For this, the same books are repeated every year.

(c) The TO&T should be recast

Analyzing the TO&T, it was found that the organization is structurally very weak due to lack of proper level of manpower, definite work distribution, work-based section etc. Recruitment of proper manpower and new TO&T should be prepared by amalgamating the revenue staff and the staff coming from the project. Moreover, the organization possesses excess officers in relation to the nature of work and also excess class III and IV manpower.

(d) Conflict and dissatisfaction is prevailing among the officers and staff

The work environment of the organization is disturbed a lot due to the prevailing conflict and dissatisfaction among the various groups and the officers and staff are sunk in deep frustration. Lack of promotion, *interse* seniority among the revenue staff and those coming from projects, in some cases scale difference between them, no service confirmation due to lack of service and recruitment rules are the major cause of the said conflict and dissatisfaction.

(e) Lack of proper monitoring system in the ministry

There is a lack of accountability due to the absence of proper monitoring and control system in the ministry and the reporting system of the centre is ineffective. But this control should not be on day to day administrative affairs and system-based rather than on success and failure in achieving objectives and programme implementation. The centre should be provided full freedom; necessary fund and other support but it should produce annual report to fulfill law provision as well as to ensure its accountability.

(f) Dead-lock in the activities of the Board of Directors

The Board showed its failure in giving necessary suggestions and directives to the Director to take and implement *final* discision, to take initiatives to solve the emerging problems etc. As a result, a lingering and deadlock situation emerged in implementing activities/programmes and in administration

(g) Failure in achieving objectives of the development projects

Two projects out of 3 had failed to achieve its goal and objectives due to failure in fixing priority, proper planning and ascertaining demand, no procedure and policy for implementing those activities. The 3rd one named Book Development Activities Project is more or less successful in achieving its objectives. There was no provision for sustainability of the activities after completion of the projects so deadlock is prevailing in the activities.

Audit Coverage of Ministries, Departments and Public Corporations

The nine Audit Directorates of the OAG conducts audit of Ministries, Divisions, Departments, sub-ordinate offices, financial institutions, nationalised commercial Banks, autonomous bodies, local government institutions, stateowned enterprises (where the government has 50 or more percentage of shares) are within the audit scope of 9 Audit Directorates under the control of the Comptroller and Auditor General (CAG) of Bangladesh. The Audit Directorates are organised on a functional basis. As such, the responsibilities of different Audit Directorates may cut across different Ministries and their subordinate organisations, and, conversely, different organisations under one Ministry may fall under the audit jurisdiction of different Audit Directorates. For example, all development projects of a Ministry fall under the audit jurisdiction of the Foreign Aided Projects Audit Directorate, while all its permanent establishment and offices are under the audit jurisdiction of the Local and Revenue Audit Directorate.

Annual budgetary expenditure under the purview of audit of all these public sector organisations is about Tk. 5,00,000 million and annual audit program is extended to about 30 percent of the entire Government Offices, and other Organisations owned or controlled by the Government. Consequently, only a percentage of all the transactions of the selected auditee organisation are audited. Audit observations, findings, comments, data: amount mentioned in the Audit Reports are prepared on the basis of this test audit. So, the cases and amount mentioned in this Report are only representative of such occurrences and they do not reflect the overall situation in any particular area.

In this report, the audit observations on various organisations under one Ministry/Division have been put together from the findings drawn by the different Audit Directorates. Then all these observations have been grouped into the following categories:

- a) **Impropriety** cases of violation of rules and regulations or, budgetary stipulations,
- b) **Loss, Damage and Wastage** occurrences that are caused by the negligence of duties or inefficiency of the Management,
- c) **Theft, Embezzlement, Fraud and Misappropriation** cases of loss due to willful malpractice by public functionaries.

Nature of observations	Number of observation	Percentage	Financial involvement (Million Tk.)	Percentage
1. Improprieties	525	47%	4180.3	41%
2. Loss, Damage, Wastage	354	32%	2274	23%
3. Theft, Embezzlement, Fraud, etc	62	6%	162.67	2%
Others	168	15%	3426.26	34%
Total	1109	100%	10,043.23	100%

Ministry of Health and Family Welfare.

Audit reports for the year 1997-98 contain in all 55 observations involving gross irregularities of various nature. The total amount involved is Tk. 136.98 million. The observations are shown categorically in table below:-

Audit Observations by different Categories.

Nature of Observations.	Number of Observations.	%	Financial (Million Tk)	%
Improprieties.	20	37%	1200.80	88%
Loss, Damage, Wastage	22	40%	54.95	4%
Theft, Embezzlement, fraud, etc.	4	7%	48.78	3%
Others	9	16%	65.30	5%
Total	55	100%	1369.83	100%

1. **Bill/Vouchers and relevant records not produced to audit.**

Bill/Vouchers and relevant records for expenditures of Tk.1044.31 million were not produced to audit. It includes expenditure against different projects implemented by the Directorate of Health, Directorate of Family Planning and Ministry of Health and Family Welfare.

2. **Non deduction or less deduction of VAT and Income Tax.**

Audit on the accounts of 1997-98, revealed that Government suffered revenue loss to the extent of Tk.11.4 million. This happened due to non-realisation or less realisation of VAT and Income Tax by different Project under the ministry.

3. **Sale proceeds of tender schedules, Bank Interest etc. not deposited to the Govt. Treasury.**

During 97-98, various project authorities failed to deposit sale proceeds of tender schedules, Bank interest, Hostel rent, Ambulance hire-charges etc. to the extent of Tk.13.17 million in Govt. treasury. It is apprehended that this money might have been mis-appropriated.

4 **Mis appropriation of Tk.57 Million .**

Audit detected that Tk. 57 million was lost due to shortage of medicine, mis-appropriation of X-Ray films & non-existence of Air-Conditioner. These losses relate to the office of the Civil Surgeon, Kishorgonj, Sadar Hospital, Netrokona & Narsingdi.

5. **Unauthorised occupation of paying cabins by the doctors.**

Audit disclosed that loss was incurred to the extent of Tk.1.19 million due to unauthorised occupation of paying cabins by the doctors of the Medical College and Hospital, Barisal.

6. **Unrealized govt. revenues.**

Various charges to the extent of Tk.0.97 million was not realised by different agencies. The charges etc relate to use of electricity by the allottee of quarters and contractors, single room/seat rent, testing fee, ticket fee and admission fee of patients, paying bed charges. The Medical Collage and Hospital, Chittagong, Sir Salimullah Medical Collage, Dhaka, Sadar Hospitals, Sariyatpur, Noagaon, Gopalganj & Panchaghar, Medical Collage hospital, Rajshahi, Sadar Hospital Chapai Nowababgonj were involved with these irregularities.

7 **Purchase of medicine at high rates.**

Loss Tk.5.01 million was incurred by Medical College and Hospitals at Rangpur, Rajshahi and Civil Suergeon Offices at Faridpur, Narayangonj, Nowababgonj, Sirajgonj (Pabna), Sariyatpur and Nilphamary by procuring medicine much above the approved rates by the Govt.

8 **Unanuthorised expenditure out of earned revenue.**

Audit disclosed that Sher-e-Bangla Medical College Hospital authority gave advance to its employees to the tune of Tk. 0.07 million out of realized cabin-rent insted of depositing them to the Govt. Treasury as per Government orders.

9. **Spare Parts of Microbus worth Tk.0.15 million stolen.**

While conducting audit on the accounts of a project it appeared from records that spare parts of Microbus worth Tk.0.15 milliomm was stolen. However, no departmental proceeding have so far been initiated by the project authority to fix responsibility and realise the loss.

10 **Expenditure beyond project proforma.**

Audit showed that 4 (four) project authorities under the Ministry incurred expenditures of Tk. 64.48 million beyond the provision of the project proforma.

11. **Wastage of Tk.4.85 million.**

Medicines worth Tk. 4.85 million were wasted due to negligence of project authorities as those medicines were left in stores unused till the expiry of due date for use.

12. **Work executed without tender for Tk. 5.30 million.**

While conducting audit on the accounts of Develop & Institutionalize Unified BCC Structure Strategies and Functions Project, audit uncovered that a contract for Technical Assistance was executed without inviting open tender.

13. **Loss of Tk. 0.04 million for double payment.**

While auditing the accounts of Development of 18 District Hospital Project, audit uncovered that double payment was made to a contractor for repairing of Deep Tube well. This happened in the office of the Construction & Maintenance Management unit (CMMU) Dhaka.

Ministry of Agriculture.

The 1997-98 Audit Reports on the Ministry includes 29 observation involving Tk.114.28 million.

Audit observations by different categories.

Nature of Observations.	Number of Observations.	%	Financial involvement (Million Tk)	%
Improprieties.	18	63%	84.05	74%
Loss, Damage, Wastage etc.	9	31%	28.70	25%
Theft, Embezzlement, fraud & Misappropriation.	01	3%	1.13	1%
Others	01	3%	0.40	0%
Total	29	100%	114.28	100%

1. **Bill/Vouchers for expenditures worth Tk. 46.25 million were produced to audit.**

The authorities of 4 (four) projects under the Ministry failed to produce auditable documents against expenditures to the tune of Tk.46.25 million. This is a violation of the provision of the Article 128(1) of the Constitution of the People's Republic of Bangladesh.

2. **Non-realisation of Income Tax and VAT amounting to Tk.1.89 million.**

Audit on the 97-98 Accounts of 3 projects under the Ministry revealed that Income Tax and VAT to the extent of Tk.1.89 million was not realised from contractors thereby causing revenue loss to the govt.

3. **Mis-appropriation of Tk.1.80 million.**

While conducting audit in the office of the Executive Engineer (Irrigation) B.A.D.C. Sher-e-Bangla Nagar, Dhaka, audit uncovered that an amount of Tk.1.80 million was misappropriated by three officials. Those officials were dismissed from service by the authority without realising the misappropriated money.

4. **Irregular payment of Tk. 0.54 million as hardship allowance.**

While conducting audit on the accounts of Bangladesh Agriculture Development Corporation, it was noticed that eleven institutions of BADC, Khulna Division paid hardship allowance to the extent of Tk.0.54 million to their officer & staff although there was no such provision in the prescribed National Scales of Pay (1985 & 1991).

5. **Expenditure beyond project proforma.**

An amount of Tk. 0.98 million was spent for construction of boundary wall, tinshed godown, guard shed, and establishment of gas line by the Agriculture Support Services Project beyond Project proforma.

6. **Tk.0.14 million in excess of the budget provision.**

While auditing the accounts of Agriculture Support Service Project under the Ministry, it was noticed that the project authority spent Tk.0.33 Million against an allotted budget of Tk. 1.9 million, thereby exceeding budget by 73%.

7. **Irregular payment of festival allowance of Tk. 0.18 million.**

An audit on the accounts of Crops Diversification Programme Project revealed that festival allowances amounting to Tk.0.17 million were paid to master-roll employees violating prevailing government orders.

8. **Excess expenditure of Tk.4.87 million due to retender.**

Excess expenditure amounting to tk.4.87 million was incurred due to retender against a purchase. Audit detected that a retender was invited as the previous supplier failed to deliver the goods ordered. This resulted in an excess expenditure of Tk.4.87 million over the earlier tender accepted. This expenditure relates to account of BADC Head office.

9. **Fraudulent purchase to the extent of Tk.0.11 million.**

While conducting audit on the accounts of the Integrated Pest Management Project under the Ministry audit detected that Air cooler, Equipments, Furnitures and other materials worth Tk.0.11 million was purchased fraudulently by forging false tender notices.

Ministry of Land

Audit Reports for the year 1997-98 includes only 2 observations involving improprieties Financial involvement for these observations is Tk. 8.83 million.

Audit Observations by different Categories.

Nature of Observations.	Number of Observations.	%	Financial (Million Tk)	%
Improprieties.	2	100%	8.83	100%
Loss, Damage & Wastage	NIL	NIL	NIL	NIL
Theft, Embezzlement, fraud, etc.	NIL	NIL	NIL	NIL
Others	NIL	NIL	NIL	NIL
Total	2	100%	8.83	100%

1. **Bill/Vouchers and relevant records not produced to audit.**

While conducting audit on the 97-98 accounts of Modernization of Land Administration Phase-II Project, the project authority could not produce bill/vouchers and relevant records

against expenditure Tk. 8.80 million to audit. It is apprehended that large amount of money might have been misused.

2. **Expenditure beyond budget provision.**

On reviewing the budgetary allotment with actual expenditures it was found that the Modernization of Land Administration Phase-II Project authority spent Tk..0.33 million against no budget, thereby breaching budgetary discipline.

Ministry of Foreign Affairs

The accounts and transactions of the Ministry of Foreign Affairs is audited by the Local and Revenue Audit Directorate. On the other hand, all transactions relating to the overseas Bangladesh Missions are audited by the Mission Audit Directorate. During the year 1997-98 total 46 audit observations were raised on the accounts and transactions of different Missions and the Ministry of Foreign Affairs. The total amount involved in all these observations is Tk. 3.13 million.

Among these observations, total 44 observations (95.65%) fall under the category of 'Impropriety'. Remaining 2 observations (4.34%) are categorized as 'Loss, Damage, Wastage'. Amount involved in 'Impropriety' and 'Loss, Damage and Wastage' are Tk. 3.05 million and Tk. .08 million respectively. The figures are 97.42% and 2.58% respectively of the total amount. These are shown in the following table :

Nature of Observations	Number of observations	Percentage	Financial Involvement (Million Tk.)	Percentage
Improprieties	44	96%	3.05	97%
Loss, Damage, Wasteful/ Infructuous Expenditure	2	4%	.08	3%
Total	46	100%	3.13	100%

MAJOR OBSERVATIONS:

Major audit findings relating to the accounts and transactions of the Ministry of Foreign Affairs and its Missions abroad are mentioned below. The audit comments were summarized from a number of similar or related findings based on their nature of occurrence.

Considerable amount overdrawn as allowances in Missions

Over one hundred irregularities were detected in the audit of Bangladesh Missions abroad during the period 1997-98. It involves Tk. 3.13 million overdrawn by the officers and employees of 23 Missions on account of special type of allowances which are provided to the officers and employees of the Missions only. Among these irregular expenditures, the highest amount was related to the Missions' Fund overdrawl as 'Daily Allowances' to the extent of Tk. 1.67 million, followed by Tk. 0.10 million as 'Irregular Management Fees', Tk. 0.10 million as 'Education Allowances', Tk. 0.26 million as 'Foreign Allowances' and Tk. 0.12 million as 'Irregular Telephone Bills'. These irregularities were mainly due to gross misinterpretation of rules and government orders, or oversight in drawing personal entitlements.

Ministry of Environment and Forest

The ministry of Environment and Forest and its subordinate offices are audited by the Directorates of Commercial Audit and Foreign Aided Project Audit. A total of 3 audit observations on gross irregularities were incorporated in the 1997-98 Audit Reports on this Ministry.

Audit Observations By Different Categories

Nature of Observations	No. of Observations	Percentage	Amount Involved (Million TK.)	Percentage
Improprieties	1	33%	0.1	0%
Loss, Damage & Wastage	1	33%	7.8	25%
Others	1	33%	23.0	75%
Total	3	100%	30.9	100%

Major Findings

Irregular Payment Of TK.7.8 Million As G.P. Fund Contribution From The Project Fund: The audit on the accounts of the “Integrated Development of National Botanic Garden, Balda Garden and National Herbarium Project” revealed that an irregular payment of Tk. 7.8 million was made from the project fund to the savings account of a commercial bank as G.P. Fund contribution of the project employees.

Bill/Vouchers Not Submitted During Audit: The financial statement of the “Integrated Development of National Botanic Garden, Balda Garden and National Herbarium Project” showed an expenditure of Tk.23 million as Direct Project Aid (DPA) for construction and consultancy. But during the audit the project authorities could not show the relevant bill/vouchers in support of the payment.

Ministry of Fisheries and Livestock

The Audit Report for 1997-98 includes 15 observations relating to Improprieties, Losses and other irregularities pertaining to the Development Projects of this Ministry. A total amount of Tk.20.5 million was involved in these observations.

Audit Observations By Categories

Nature of Observations	No. of Observations	Percentage	Amount Involved (Million Tk.)	Percentage
Improprieties	12	80%	4.9	24%
Loss, Damage & wastage	2	13%	1.5	7%
Others	1	7%	14.1	69%
Total	15	100%	20.5	100%

Major Findings:

Non-submission Of Bill/Vouchers During Audit: During the audit of the accounts of different projects implemented by the Fisheries Directorates, Livestock Research Organisation and Bangladesh Fisheries Research Institute, the project authorities failed to submit bill/vouchers relating to the payment of foreign consultants, CDVAT and foreign training involving an amount of Tk.14 million.

Loss Of Revenue Due To Non/Less Deduction Of Income Tax And VAT: It was found during the audit of the different projects of this Ministry that a revenue loss to the tune of Tk.1.4 million occurred due to non/less deduction of income tax or VAT from the payment made to foreign consultants, suppliers and project personnel.

Loss Due To Payment Not Authorized In The Project Proforma (PP): The audit of the accounts of the "Food Assisted Integrated Fisheries Project" showed that 40 photo copier machines were purchased for different private organizations beyond the scope of the PP thereby causing a loss of Tk.3.6 million to the Govt.

Ministry of Communication

The Audit Report for 1997-98 includes 48 observations involving different categories of irregularities relating to the organizations under this Ministry. The total amount involved in these observations is Tk.172.4 million.

Audit Observations By Categories

Nature of Observations	No. of Observations	Percentage	Amount Involved (Million Tk.)	Percentage
Improprieties	7	15%	16.0	9%
Loss, Damage & wastage	31	65%	99.4	58%
Theft, Embezzlement & Fraud	4	8%	5.0	3%
Others	6	12%	52.0	30%
Total	48	100%	172.4	100%

Major Findings

Failure To Show Bill/Vouchers During Audit: During the audit of the accounts of the “Dhaka-Chittagong 5 Highway Bridges Reconstruction Project” for the year 1997-98, the concerned Executive Engineer could not place before the audit the relevant vouchers and other documents relating to the reconstruction expenditure of the 5 bridges amounting to Tk.50 million.

Irregular Excess Payment To Contractors: The audit of the accounts of the “Road Overlay and Improvement Project” for the year 1997-98 revealed that the Project Manager had made an irregular payment to contractors amounting to Tk.23.7 million beyond the original contract.

Irregular Payment Of Residential Telephone Bills Beyond the Ceiling: The audit of the accounts for 1996-97 and 1997-98 of the Office of the Executive Engineer, Road Division, Dhohazari and that of the Office of the Executive Engineer, Road Division, Dinajpur showed that an excess amount of Tk.0.85 million was paid for the residential telephone bills of the two Executive Engineers of those two divisions beyond their ceilings covering a period from June/94 to April/98.

Excess Of Expenditure Over Budget: An excess payment amounting to Tk.2 million was made by the Executive Engineer, Road Division, Rangpur during 1997-98 beyond the allotment of fund against that division in that year.

Irregular Payment For Extended Work Without Approving The Revised Estimate: The audit of accounts for 1997-98 of the Executive Engineer, Road Division, Bhola showed that contractors were paid Tk.1.1 million for extended work without approving the revised estimate.

Sale Proceeds Of Tender Schedule Were Stolen From Cash: Sale proceeds of tender schedule amounting to Tk.0.11 million of the Office of the Executive Engineer, Road Division, Khagrachari were stolen from the chest. But no departmental disciplinary action was taken in this connection.

Loss For Not Claiming Compensation In Time: During the audit it was found that a type of spare parts purchased was not used in locomotives as the spare parts supplied were not as per specification. But no complaint was made with the supplier within the stipulated time for the replacement of those spare parts. As a result a loss incurred amounting to Tk.4.5 million.

Ministry of Post and Telecommunication

The Audit Report of 1997-98 for this ministry showed a total of 111 observations of different categories involving an amount of Tk.3321.7 million emanated from the audit of the Postal

Department, Telephone and Telegraphic Board and various development projects under this ministry.

Audit Observations By Categories

Nature of Observations	No. of Observations	Percentage	Amount Involved (Million Tk.)	Percentage
Improprieties	63	57%	346.2	10%
Loss, Damage & Wastage	35	31%	188.4	6%
Theft, Embezzlement, Fraud etc.	1	1%	0.8	-
Others	12	11%	2786.3	84%
Total	111	100%	3321.7	100%

Major Findings

Excess Of Expenditure Over Budget: The audit of 24 principal post offices revealed that an amount to the tune of Tk.9.7 million was spent irregularly in excess of Budget for the year 1997-98.

Payment Of Pay & Allowances Without The Sanction Of Temporary Posts: Irregular payment of pay and allowances amounting to Tk.6.5 was made for the temporary posts of 24 principal post offices without the sanction of those posts.

Stamps Sent To Different Treasuries Were Not Acknowledged: It was found during the audit of the accounts of the Office of the Assistant Controller of Stamps, Dhaka that acknowledgements were not received by this office for stamps sent by it to different treasuries amounting to Tk.2404.3 million.

Stamps Found Short During Physical Verification: The physical counting of stamps during the audit of the Office of the Assistant Controller of Stamps, Dhaka unearthed a shortage of stamps amounting to Tk.18.3 million than the amount shown in the ledger.

Telephone Revenue Remained Uncollected: The audit of the accounts of the Office of the Senior Accounts Officer, Telephone Revenue (South), Dhaka revealed that telephone revenue amounting to Tk.235.5 million remained uncollected for a long time.

Loss For Not Selling Unserviceable Stores Through Auction: The audit of the accounts of the Office of the Superintendent, Wire Factory, Tejgaon, Dhaka showed that unserviceable stores amounting to Tk.1.8 million not sold through auction causing loss to the government.

Excess Of expenditure Beyond The Approved Estimate: It was found from the audit of the Divisional Engineer, Buildings, Chittagong that an amount of Tk.1.8 million was spent irregularly beyond the approved estimate. The excess expenditure was not regularized through the approval of revised estimate.

Irregular Payment Without Accepting Detail Measurement Of Work: The examination of the Measurement Book, Contractor's Bill and Contract of the 30000 Digital

Line Project of the T & T Board revealed that an amount of Tk.126.4 million was paid to the contractor without accepting the detail measurement of work from the contractor.

Ministry of Defence

The Audit Report of 1997-98 on various Defence Units under this ministry includes 126 observations relating to losses, improprieties and other irregularities involving an amount of Tk.44.7 million.

Audit Observations By Categories

Nature of Observations	No. of Observations	Percentage	Amount Involved (Million Tk.)	Percentage
Improprieties	16	13%	1.8	4%
Loss, Damage & Wastage	100	79%	32.2	72%
Others	10	8%	10.7	24%
Total	126	100%	44.7	100%

Major Findings

Fines Were Not Recovered From Defaulting Contractors For Delay In Supply Of Goods: It was found from the audit of Directorate General Defence Purchase, Office of the Senior Finance Controller (Navy) and Office of the Senior Finance Controller (Defence Purchase) that fines were not collected from defaulting contractors for delay in the supply of goods amounting to Tk.1.2 million.

Land Rent Of Defence Officers Housing Society(DOHS) Project Fixed At Lower Rate: It was revealed from audit that land rent of DOHS project was fixed at a rate applicable for 1966 despite the fact that land rent had been increased several times since then thereby causing a loss of Tk.1.1 million.

Money Received From Lease Of Auditoriums/Cinema Halls Not Deposited To Govt. Treasury: The Audit Report of 1997-98 showed that money received from the lease of Auditoriums/Cinema Halls of Comilla and Bogra cantonments amounting to Tk.16.4 million were not deposited to Govt. Treasury

Ministry of Housing & Public Works

The 1997-98 Audit Report on the Ministry of Housing & Public Works embodies 65 Audit objections reflecting serious irregularities perpetrated by different organisations under the ministry. The audit observations can broadly be categorised as follows:

Nature of observation	No. of objections	Percentage	Financial involvement (Tk in million)	Percentage
Improprieties	18	28%	102	42%
Loss, damage , wastage	22	33%	124.5	51%
Theft, Embezzlement, fraud etc.	08	12%	.5	
Others	17	27%	15	7%
Total	65	100%	242	100%

The table shows that Loss, damage, wastage etc. do constitute the lion's share of the Audit observations amounting to about Tk. 125 M, which is followed by irregularities due to improprieties (about 28%).

Some serious Irregularities:

Loss of tk. 116 M owing to an imprudent agreement with American Embassy in Bangladesh

RAJUK had to sustain a loss of Tk. 116 M because of an agreement with American Embassy regarding exchange of Land. The loss was due to the fact that RAJUK while signing the agreement did not verify the actual ownership of the land it got from the American Embassy in exchange and consequently RAJUK had to pay the above mentioned money to different owners who claimed ownership of the land handed over to RAJUK by the American Embassy.

Work costing about Tk. 50 M was done without the Approval of estimate & signing off contract.

The Audit of Accounts of 1994-95 related to of Public Works Dept. revealed that 12 contractors were paid Tk. 50M for construction of Govt. quarters at Mirpur. But neither the estimate was approved nor there was any contract made with the contractors.

Loss of Tk. 110M apprehended due to disposal of stores lying unused for a long time.

The audit of 1992-93 Accounts related to a division of PWD showed that no steps were taken either to use or to dispose off stock of different materials lying unused for a long time. As a result, the Govt. is likely to be deprived of the amount because the quality of the materials is getting worse day by day.

Loss of Tk. 23M is apprehended as 21 vehicles are lying out of order since 1980:

The audit of Accounts of 1997-98 of the office of the Executive Engineer, Public Works E/M division reveals that 21 vehicles / plants that have gone out of order have been huddled together under the open sky. No steps were taken either to repair these or to dispose these off. As a result the Govt. is likely to sustain a loss of about Tk. 23M.

An amount of Tk. 15M was paid to the Contractors beyond budget provision:

While auditing the Accounts related to 1996-97 of Public Works Division, Patuakhali it was observed that the contractors were paid Tk. 15M although there was no budget Provision, in defiance of the relevant rules of CPWA Code & General Financial Rule.

**Ministry of Local Government, Rural Development &
Cooperatives**

The 1997-98 Audit Reports for the Ministry of Local Government, Rural Development & Co-operatives as prepared by the Directorates of Works Audit, Foreign Aided Project Audit & Commercial Audit have 108 Audit observations reflecting serious irregularities committed by different organisations under the ministry. These can be broadly categorised as follows :-

Nature of observation	No. of objections	Percentage	Financial involvement (Tk in million)	Percentage
Improprieties	75	69%	750	81%
Loss, damage , wastage	10	9%	22	2%
Theft, Embezzlement, fraud etc.	4	4%	08	1%
Others	19	18%	145	16%
Total	108	100%	925	100%

The table as showed above demonstrates that most of the Audit observations relate to improprieties involving about Tk. 750 m.

Bills & Vouchers amounting to Tk. 533m were not produced before the Audit Team:

The local authorities of nine projects implemented under the ministry failed to produce bills & vouchers amounting to Tk. 53m before the Audit Team, which is a flagrant violation of Article 128(1) of the constitution of Bangladesh and Rule 19 of General Financial Rules. As a result gross irregularities in the above bills and vouchers are apprehended.

VAT & IT amounting to Tk.4m were not deducted from the Contractor's bills

While Auditing Projects under the ministry it was revealed that the local authorities of nine Projects did not deduct VAT & IT to the tune of Tk. 4m from the Contractors' bills and thereby violated the circulars of National Board of Revenue (NBR). As a result Govt. is likely to lose revenue to the extent of the said amount.

Tk. 13m embezzled by employees is yet to be realised :

While Auditing the Accounts of 1973-96 of Baghabari Dairy Farm, it was revealed that a huge amount of money amount to about 13m is yet to be realised from the seven employees of the farm, who were found involved in the embezzlement of the said money as per the report of the departmental proceedings.

A huge amount of Tk. 39m realised from different sources was not deposited with the Govt. Treasury :

The audit of the Accounts of five offices under Local Govt. Engineering Department (LGED) revealed that the local authorities did not deposit with the Govt. Treasury an amount Tk. 16m received from sale of Tender Schedules, Renewal fees, laboratory fees etc. Rather they spent the money themselves violating the Treasury Rules and the Central Public Works Accounts Code (CPWAC).

Ministry of Water Resources

The 1997-98 Audit Reports on the Ministry of Water Resources as prepared by the Directorate of Works audit & Foreign Aided Projects embodied . 92 Audit observations involving serious irregularities committed by different organisations / offices under the ministry.

Nature of observations	No. of observations	Percentage	Financial involvement (Tk M)	Percentage
Improprieties	64	70%	320	85%
Loss, damage , wastage	4	4%	2	10%
Theft, Embezzlement, fraud etc.	2	2%	01	0%
Others	22	24%	55	15%
Total	92	100%	378	100%

The table shows that improprieties account for most of the audit observations amounting to Tk. 320M.

Bills & Vouchers involving Tk. 278M were not produced for Audit

The local authorities of some projects under the Bangladesh Water Development Board did not produce bills & vouchers worth about Tk. 278M to the Audit team entrusted with the responsibility of auditing the 1997-98 accounts of the Projects. This act of the authorities which contravenes Article 128(1) of the Constitution of Bangladesh & Rule 19 of General Financial Rules gave rise to the apprehension that there might be gross irregularities in these bills & vouchers.

Loss of Tk. 3M due to payment at the rates higher than the rates of schedule

While auditing the office of the Executive Engineer, Water Development Board, Rajshahi it was found that the contractors were paid at rates higher than that approved in the schedule of Rates. As a result the Board had to incur a huge loss to the tune of Tk. 3M.

Receipts from different sources amounting to Tk. 28M were not deposited with Govt. Treasury

The audit of the accounts of some Projects under Water Development Board showed that Receipts from Bank interest, Sales of Tender schedules and other sale proceeds to the tune of Tk. 28M were not deposited with the Govt. Treasury, which is a gross violation of Treasury Rules & Govt. Financial Rules.

Loss of Tk. 5M due to non-deduction of VAT & Income Tax

While auditing the accounts of some Projects and some offices under the Water Development Board, it was revealed that VAT (Value Added Tax) and I.T (Income Tax) were not deducted from the Contractors' Bills as per instructions of National Board of Revenue (NBR). As a result the Govt. is likely to incur a huge of Tk. 5M as revenue.

Ministry of Energy & Mineral Resources

The 1997-98 Audit Reports of the Ministry of Energy and Mineral Resources have 160 audit observations dwelling upon the serious irregularities committed by the different organisation and offices under the ministry. The audit observation can broadly be categorised as follows:-

Nature of observations	No. of observations	Percent age	Financial involvement (Tk M)	Percentage
Improprieties	100	56.8%	1150m	93.50%
Loss, damage , wastage	05	2.8%	3.5m	.03%
Embezzlement, fraud etc.	12	6.85	4.5m	.036%
Others	159	33.6%	72m	5.85%
Total	176	100%	1230	100%

The table as shown above dictates that most of the audit observations (56.8%0 were raised because of non-conformity to rules i.e. improprieties.

Some Serious Irregularities

Shortage of furniture to the tune of Tk. 3m :

While auditing the office of Titas Gas T & D Company Ltd, it was found that no departmental proceedings were initiated to fix the responsibility for shortage of furniture amounting to Tk. 3m. As a result the company is likely to lose the aforesaid amount.

Loss of Tk. 4m due to huge amount of materials having been stolen

The audit of the Accounts of Power Development Board (PDB) & Dhaka Electric Supply Authority (DESA) showed that a huge amount of electrical materials to the tune of Tk. 4m were stolen from the stores on different occasions. But no departmental proceedings were initiated to fix the responsibility thereof. As a result it is apprehended that the Govt. might lose the amount of money.

Loss of Tk. 98m is likely due to manipulation of Monthly Operation Data (MOD)

While auditing the accounts of 1996-97 of an office under DESA, it was found that while the Audit firm showed the outstanding electricity bills to be about Tk. 550m upto the 30th June,1997, the Monthly Operation Data (MOD) as prepared by the office showed the outstanding amount as Tk. 452m. As a result the Dhaka Electric Supply Authority (DESA) is likely to incur a huge loss of revenue amounting to Tk. 98m

Loss of Tk. .5m due to credit entry in the Ledger against dishonored cheques

While auditing the 1994-97 accounts of an office under DESA, it was discovered that some consumers belonging to different categories paid electricity bills through cheques to the tune of Tk. .5m. But despite the fact that the cheques were dishonored by the Banks, the respective consumers, ledgers were posted with credit entries. Thereby causing a huge of revenue to DESA.

Ministry of Jute

The Audit Report for 1997-98 on the ministry of Jute as prepared by the Directorate of Commercial Audit has 28 Audit observations reflecting serious irregularities committed by the different organisations / Jute mills under the ministry. The audit observations on the basis of their nature can broadly be categorised as follows :-

Nature of observations	No. of observations	Percentage	Financial involvement (Tk M)	Percentage
Improprieties	8	29%	30	44%
Loss, damage , wastage	12	43%	16.5	24%
Embezzlement, fraud etc.	2	7%	2	3%
Others	6	21%	19.5	29%
Total	28	100%	68	100%

The table shows that loss, damage, wastage etc. do form the largest share of the Audit observations totaling about 43% .

Shortage of Jute to the tune of tk. 16.5M.

The audit of the accounts of some Jute mills under the ministry showed that as per the physical verification reports there is huge shortage of Jute amounting to the 16.5M. But no initiatives have so far been taken to fix the responsibility for the shortage. As a result the Govt. is likely to incur a loss equal to the said amount.

About tk. 2M embezzled by an employee is yet to be recovered

While auditing the Accounts related 1995-97 of Bangladesh Jute Mills Ltd. Ghorasal, it was found that an employee of the Mill misappropriated an amount of tk. 2M through fake bills. But measures are yet to be taken to realise the money from the employee.

Loss of Tk. 4.2m due to purchase of Jute at higher price

While Auditing the accounts of People's Jute Mills Ltd, it was found that the price of Jute procured by the agencies was higher than the price of Jute procured at the Mill gate. As a result the Mills incurred a huge loss to the tune of Tk. 4.2M. But no actions were taken as yet to fix the responsibility thereof and recover the money.

Ministry of Textiles

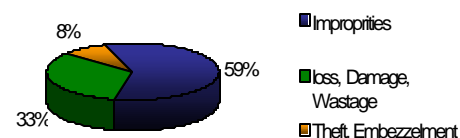
The Audit Report on different public sector textile industries under the control of Ministry of Textile for the year 1997-98 include 12 audit observations. Directorate of Commercial Audit and Directorate of Foreign Aided Project Audit (FAPA) conducted the audit. Total amount involved in these observations is Tk. 7.24 million.

Audit observations by different categories:

Nature of observations	No. of observations	%	Financial involvement (Million Tk.)	%
Improprieties	7	59%	2.61	36%
Loss, Damage, Wastage etc.	4	33%	4.55	63%
Theft, Embezzlement, Fraud etc.	1	08%	0.08	1%
Total	12	100%	7.24	100%

Major Findings:

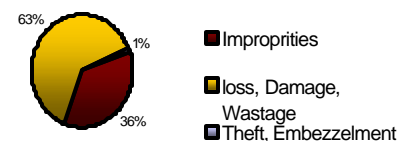
Audit Observations (%)



Loss of Tk. 2.89 million due to the purchase of poor quality cotton at a higher price

While conducting audit in Sundarban Textile Mills Ltd. under the Ministry of Textile, a financial loss of Tk. 2.89 million of the mill was found. This loss arises due to the purchase of lower quality cotton at an excessive rate. The market price of the same quality cotton was much less than the price at which it was purchased.

Amount Involved (7.24 Million Taka)



Loss of Tk. 0.7 million due to irregular payment to several persons for foreign tour

While auditing a project running under the financial assistance of Ministry of Textile, it was found that several persons have taken advances worth Tk. 0.7 million for covering their foreign travel expenses. As the travellers are non-government personnels they are not eligible to be included in foreign deligation. Moreover, the project did not have any provision in their grant treeti and TA PP to cover foreign travelling expenses. Audit identified this loss as improprieties, i.e. violation of rules and regulations of the project.

Irregular payment of Tk. 0.79 million was made to the labourers

During auditing Sundarban Textile Mills Ltd. audit found that irregular payment of Tk. 0.79 million was made to the labourers violating the new wage structure/scale '93. Although there was no provision for providing allowances during the interim period this payment was done violating the regulation of wage scale '93.

Ministry of Commerce

Introduction

A total of 16 observations have been made involving a total sum of TK. 74 million. The majority of the observations are regarding loss, damage and wastage. These have caused the government an alarming figure of TK. 54 million which comprises 73% of the total financial involvement,. Improprities are next, and have amounted to Tk. 13.22 million. The figure for the and embezzlement stands at TK. 6.66 million which is 9% of the total financial involvement. The table below summarised these findings.

Nature of observation	No. of observation	%	Financial Involvement (Million TK.)	%
Improprities	6	38%	13.22	18%
Loss, damage & wastage	8	50%	54.12	73%
Theft, embezzlement	2	12%	6.66	9%
Total	16	100%	74	100%

Major Findings:

Loss

At TCB, Khulna, two officials at the regional office were charged with causing the office a loss of Tk. 9.2 million due to various irregularities and malpractice's. Despite these allegations against them, they have been take back to service without any measures to recover the loss caused by them.

Wastage

The TCB incurred a loss of Tk. 33.2 million when it ignored a market survey and imported powder milk from Germany (1.8 kg/Tin of Coast) despite the study showing poor consumer preference for the brand. Ultimately, the unsold milk had to be sold off through tender at a price much lower than the price at which the milk was imported.

Irregularities in Insurance Payments

There have been a lot of irregular insurance payments made after the damages caused by the cyclone of April 29/30 in 1991. Among these is the payment by Sadharan Bima corp. to Reliance Insurance Company to the tune of Tk. 6.5 million as total' loss' for a vessel which sank after repairs were done on it. No reason was given as to why the vessel sunk on the day repairs were completed. Other irregular insurance payments include Tk. 0.65 million for a fishing trawler (Sinha-2) which, the policy holder claimed was made despite a previous payment for 'total loss' on the same trawler.

Ministry of Industries

Introduction;

The audit of the Ministry of Industries has brought out 31 observations amounting to TK. 66.30 million in financial involvement. 52% of these observations are regarding improprieties. These have cost the government Tk. 36.20 million which is 55% of the total financial involvement. Theft and embezzlement figure next here 8 observations have been found in this regard totalling to a loss of Tk. 13.95 million. Following close behind is loss, damage and wastage which have 7 observations from the audit. However, the financial involvement is higher here than theft and Embezzlement. Tabulated below are these findings.

Nature of observation	No. of observation	%	Financial Involvement (Million TK.)	%
Improprieties	16	52%	36.20	55%
Loss, damage & wastage	7	22%	16.15	24%
Theft, embezzlement	8	26%	13.95	21%
Total	31	100%	66.30	100%

Major Findings:

Non-Recovery of loan & interest:

No attempt has been made to recover the loan given to the Chittagong Paper Mills by BSCIC and the interest accrued on the loan. The paper mill was shut down due to inefficiency. The resultant loss to the government was TK. 4.61 million.

Irregularities:

A lot of irregularities are prevalent in the units under BSCIC. These include irregular grant of loans (TK. 1.28 million), failure to deposit project money in banks (TK. 0.66 million), non-deduction of vat from motor repair works (Tk. 0.43 million) and import of fertilizers at higher prices ignoring tender and thus causing the government a loss of Tk. 18.82 million.

Misappropriation, fraud, embezzlement etc.

Audit of BCIC showed a contract, which stipulated for supply of fertilizers in bags (which were to be imported). But these were supplied in bulk and yet payment for the bags were made to the suppliers. There were no supporting papers to substantiate the claim that the fertilizers were distributed in bags. The payment for bags amounted to TK. 10.41 million.

Allowances:

Irregular payment of allowances to officials at various factories have resulted in huge amount of loss to the government. Among these are gas allowances at Karnapphuli Chemical LTD and Khulna Newsprint (Tk. 2.61 million), food and conveyance allowance at

Jamuna Fertilizer factory (TK. 0.49 million), house rent allowance at Progoti LTD (TK. 0.73 million) and milk allowance at BITAK (Tk. 0.21 million)

Shortage of Raw Materials (Sugar Cane)

In the various Sugar Mills across the country, large-scale shortages of sugarcane (the basic raw material) have resulted in huge losses. The Pabna Sugar Mills incurred Tk. 0.24 million, the Rangpur Sugar Mills incurred Tk. 0.47 million and the Thakurgaon Sugar Mills incurred TK. 0.29 million in losses.

Ministry of Finance

In the 1997-98 audit report, 39 audit observations of serious irregularities had been included on different Nationalised Banks, Custom & VAT and Income Tax offices under this Ministry amounting to Tk. 1619.65 million.

Audit observations by different categories:

Name of Observations	No. of Observation	%	Financial Involvement (Million Tk.)	%
Improprieties	9	23%	23.51	1%
Loss, Damages, Wastage	27	69%	1438.15	89%
Theft, Embezzlement, Fraud, Misappropriation	2	5%	8.07	1%
Others	1	3%	149.92	9%
Total	39	100%	1619.65	100

Major Findings:

Loss of Tk. 658 million due to non-recovery of Bank Loan

Audit detected a large number of cases of non-recovery of bank loans in some accounts of Nationalised Banks. Serious lapses on part of the management caused this huge loss of Tk. 658 million. These loans are sanctioned without following banking principles and norms of granting loan, like

- a) Sanctioning of loan without proper collateral security ,
- b) Irregular opening of Letter of Credit,
- c) Overdraft facilities awarded without proper assessment of the financial position of the client, and
- d) Improper rescheduling of loans.

Non-realisation of revenues amounting Tk. 780 million

Various offices of Customs & VAT and Income Tax Department did not realise VAT, Income Tax and interest for delayed payment of Income Tax; gave undue VAT exemptions, penalty to various institutions amounting Tk. 780 million. No serious steps have been taken to realise the money.

Bills and Vouchers not shown before audit

Bills, vouchers, relevant papers and documents against expenditure involving Tk.149 million were not shown before audit by different foreign aided funded projects' authorities.

Money unspent was shown as expenditure

A project named 'Technical Assistance and Institutional Support Facilities' under Economic Relations Division showed an amount of Tk.10 million as expenditure which in fact was not spent till the last date of the accounts i.e. 31st Dec. 1998. It is a gross violation of financial discipline.

Ministry of Education

The audit report on the Ministry of Education for the year 1997-98 contained 28 audit observations involving Tk. 89 million. These observations were raised on various projects of the Directorate of Higher Education, Government High Schools and Colleges.

Audit observations by different categories:

Name of Observations	No. of Observation	%	Financial Involvement (Million Tk.)	%
Improprieties	1	4%	1.78	2%
Loss, Damages, Wastage	22	78%	69.16	78%
Theft, Embezzlement, Fraud, Misappropriation	1	4%	.02	-
Others	4	14%	18.04	20%
Total	28	100%	89.00	100%

Major Findings:

➤ VAT and Income Tax not deducted and deposited to the Government Treasury

Various offices and the projects under the Ministry of Education did not deduct and therefor submit the VAT and Income Tax deductible at source amounting to Tk. 1 million.

➤ Reconstruction and Development of high schools not included in the Project Pro-forma and Contract

'Development of Higher and Secondary Education' project authority incurred huge amount of Tk. 40.35 million for the development and reconstruction of the high schools which had already been repaired by the Facilities Department. In the project pro-forma there was provision only to develop and reconstruct the non-government colleges of the country. There is separate project financed by Asian Development Bank for the development of high schools.

➤ Bills and vouchers were not shown before audit

Different project authorities did not show the vouchers and bills of amounting to Tk. 9 million to the audit for the year 1997-98. The authenticity and credibility of the amounts incurred (whether incurred at all) could not be verified.

MINISTRY OF SHIPPING

Audit reports for 1997-98 includes 16 observations involving Improprieties, Losses and Wasteful Expenditure. Total amount involved in these observations is Tk. 95.23 million. These audit findings are summarized below:

Nature of Observations	No. of Observation	Percentage	Financial Involvement (Million Tk.)	Percentage
Improprieties	11	69%	54.12	57%
Loss, Damage, Wasteful/ Infructuous Expenditure	4	25%	5.46	6%
Theft, Embezzlement	1	6%	35.65	37%
Total	16	100%	95.23	100%

MAJOR OBSERVATIONS

A few major findings relating to the Ministry are as follows:

a) Bill/Vouchers and relevant records not produced to audit.

Bill/Vouchers and relevant records against expenditure to the extent of Tk. 35.64 million were not produced to audit. It relates to a project implemented by the Bangladesh Inland Water Transport Authority under IDA Credit No. 2232 BD.

b) Unrealized Government Revenue

Value Added Tax to the extent of Tk. 2.09 million was not realized. Similarly, Income Tax (Tk. 0.66 million) was not realized from the foreign consultants and contractors. It relates to various projects implemented by the Bangladesh Inland Water Transport Authority and the Bangladesh Inland Water Transport Corporation.

c) Work Executed without inviting tender

Construction work amounting to Tk. 2.15 million was carried out without inviting any tender. Such work relates to a project implemented by the Bangladesh Inland Water Transport Authority under IDA Credit No. 2232 BD.

MINISTRY OF ESTABLISHMENT

Audit Reports on the Ministry of Establishment for 1997-98 include 11 observations involving Improperities, Losses, Wasteful Expenditure, Embezzlement and Misappropriation cases, of these Local & Revenue Audit and Commercial Audit made 3 and 8 audit observations respectively. Total amount involved in these observations is Tk. 16 million. These Audit findings are summarized below:

Audit observations by Different Categories

Sl. No.	Type of irregularities	Number of Audit observaions	Percentage	Amount involved (Tk. in million)	Percentage
1	Improperities	4	36%	2.92	18%
2	Loss, Damage and Wasteful or infructuous Expenditure	7	64%	13.08	82%
3	Theft, embezzlement and Fraudulent Practices	-	-	-	-
4	Others	-	-	-	-
	Total	11	100%	16	100%

Major Findings:

Loss of Tk. 8.46 million due to irregular Payment for unusable machinery which was not even replaced by the supplier.

Audit of the Controllers office, Deptt, of Printing, Stationary, Forms and Publication revealed that the authority made an irregular payment of Tk. 8.46 million to a supplier for supplying a machine which was unusable and not as per the specifcaiton of the contract agreement. The agreement had stipulated that the supplier had to demonstrate the effectiveness of the machine after installation. In case of his being unable to show the effectiveness, he was suppose to replace it or refund the money. But the authority made the payment regardless of the fact that the machine was unusable and it was not replaced and that resulted in a loss to the government.

Loss of Tk. 2.69 million due to irregular Procurement of Photo copier machine disregarding proper Procurement Policy.

The audit of the Controller's office. Department of Prining, Stationary Forms and Publication revealed that without proper market survey, 30 Photo copier machines were procured through discussion with a single party disregarding proper procurement procedure that

stipulates for procurement through tender. This caused a loss of Tk. 2.69 million to the government.

Loss of Tk. 0.23 million due to payment of residential telephone bills that was in excess of the stipulated/fixed ceiling.

Audit of District Commissioner's office of Madaripur, Faridpur and Pirozpur revealed that Tk. 0.23 million undue payment was made for telephone bills of some its officials which was in excess of their stipulated ceiling on telephone calls that resulted in a loss to the government.

MINISTRY OF CIVIL AVIATION & TOURISM

The Directorate of Commercial Audit and Directorate of Missions Audit are responsible for auditing the accounts and transaction of different organisations under the Ministry of Civil Aviation and Tourism. In the year 1997-98, all 36 audit observations were raised on the accounts and transactions of different organisations under this Ministry. Out of these, 30 observations were brought up by the Directorate of Commercial Audit and 06 by the Directorate of Missions Audit. The total amount involved in all these observations is Tk. 65.41 million which is categorised as follows:

SL. No.	Types of irregularities	No. of observation	Percentage	Financial involvement (Million Tk.)	Percentage
1	Improprieties	21	58%	27.65	42%
2	Loss, Damage, Wastage etc.	10	28%	35.04	54%
3	Theft, Embezzlement, Fraud, Misappropriation	5	14%	2.72	4%
	Total	36	100%	65.41	100%

Major Findings:-

Non-realisation of Income Tax amounting to Tk. 22 million.

The audit of 1992-93 accounts under the Ministry revealed that about Tk. 22 million was not realised as income tax on the maintenance of Biman and for technical assistance there by causing a revenue loss to the Government.

Loss of Tk. 2.28 million due to non realisation of sales proceeds of Bangladesh Biman Tickets

Audit detected that in the head office of Bangladesh Biman Airlines, the sale proceeds of airline tickets amounting to Tk. 2.2 million remained outstanding from the travel Agents. Audit apprehend that there may be collaboration between the concerned Biman officials and the agents in the matter.

Excess payment of incentive commission.

Loss of Tk. 2.4 million was incurred due to over payment of incentive commission to the sales agents violating Biman Bangladesh Airlines order.

Irregular payment of Tk. 5.6 million as tax from Hotel Sheraton.

Audit on the accounts of Hotel Sheraton in the year 1995 showed that the Hotel made an irregular payment of Tk. 5.6 million from the Hotel fund as tax on the service charge earned by the Hotel employees.

MINISTRY OF FOOD

The Accounts of Ministry of Food and the organisations there under are audited by the commercial Audit Directorate. In all 1.6 audit observations involving serious irregularities had been compiled by the Directorate for 1997-98 Audit Report on the Ministry. The irregularities are grouped in broad classes and shown in the table below:

Audit observations by different categories

SL. No.	Types of irregularities	No. of Audit observations	Percentage	Amount involved (Tk. in Million)	Percentage
1	Improprieties	2	12%	0.56	0%
2	Loss, Damage, Wastage	10	63%	56.76	70%
3	Theft, Embezzlement, Fraud, Misappropriation	4	25%	23.81	30%
4	Others	-	-	-	-
Total		16	100%	81.13	100%

Major Findings:-

Loss of Tk. 48.74 million due to short landings of Wheat.

While auditing the accounts of 1994-96 of Food Directorate under this Ministry, it was found that 6,393.302 metric tons of wheat less received from lighter ship at Chittagong & Mongla Port. As a result, Government incurred as loss of revenue amounting to Tk. 48.74 million. Still now this amount was not recovered from the owners of the ship. Not only that no measures had been taken to realise this loss.

Tk. 1.08 million was lost due to short receipt during import:-

Imported wheat was received less in the during the audit period 1994-95. As a result Tk. 1.08 million was lost. No measures had been taken to realise this loss.

Loss amounting to Tk. 1.9 million during transportation.

A huge amount of rice was lost during transportation by the transport contractors while carrying rice from one godown to another resulting in a loss of Tk. 1.9 million. No measures had been taken to realise this loss.

Embezzlement of rice worth Tk. 20.03 million.

During the audit of L.S.D. Bogra under the Food Directorate, it was found that only 711.615 metric tons of rice were available in the godown instead of 1712.272 metric tons as registered in the stock register indicating a shortage of 1000.677 metric tons worth 20.03 million which according to the suspicion of audit might have been embezzled.