

The Role of Supreme Audit Institutions (SAIs) in Improving Governance – The Bangladesh Perspective



ASIF ALI

Comptroller and Auditor General
Bangladesh

Governance and Financial Accountability



- ❑ “Well defined legal and administrative mechanisms that hold a government accountable to the public, ensures equitable treatment of all citizens, respect for rule of law, fair judicial system, enforcement of law and sanctions without fear and favor -- are all about Good Governance. ”
- ❑ Governance often understood as something that Govt. does only, and also at the highest level.
- ❑ Informed public about the modus operandi of governance at all levels and sectors, key institutions/players and a tone to be set.
- ❑ Efficient and accountable management of public funds is an important element of good governance. Thus governance and financial accountability are inextricably linked. It is not seen as optional in a democracy.



Role of SAIs and Governance

- SAIs' legal mandates, reporting relationship and effectiveness may vary. Common purposes are :
 - report publicly whether ethical standards and policy issues set by the legislator and executive are adhered to while managing public spending; and
 - the manner in which results are achieved against plans and recommend corrective action.

- SAIs are better placed due to constitutional mandate and independent feature to promote better public financial management and improve accountability in Govt.

- Role of SAIs that benefits the most for ensuring good governance are:
 - Executive
 - Tax payers
 - Parliament



Role of SAIs and Governance (contd..)

- Additionally, the role of SAIs is also considered vital by:
 - Development partners
 - Investors
 - Civil Society (Press, NGOs, TIB)
 - Oversight Agencies

- SAIs report performance, leave further scope for scrutiny by PAC
- Parliamentary discussions on SAI report act as a deterrent to improper use of public resources
- Executive needs to respond timely to legislator suggestions and impose sanctions when recommended
- Informed public is vital



Role of SAIs and Governance (contd...)

- Technical solution is not the answer to improve governance –political will, procedural and structural reform are required.
- Impact of economic loss from poor governance costs the most -- audit report is an input.
- SAIs need a responsive and proactive Executive and Parliament to succeed in promoting good governance.
- SAI -- an important contributor towards strengthening the demand for reform.
- SAIs need to work with enforcement officials in Govt. agencies to share skills and insights and adept at uncovering mismanagement.



Role of SAIs

Bangladesh Perspective:

- Not the shortage of resources
- Misuse, wastage and system loss resulting from capacity constraint, ignorance or wrong doings are the principal bottlenecks
- Inadequate internal control
- Audit reports by themselves can not solve the problem



Role of SAIs - Bangladesh Perspective (contd.)

- Success stories or corrective measures are not exposed.
- Positive understanding about culture, country system and resource constraints are important.



Role of SAIs - Bangladesh Perspective (contd.)

Role of CAG

- Constitutional Mandate
- Purpose is similar to other SAIs
 - Examining public expenditure and reporting the results, i.e., whether resources have been used for the intended purposes.
 - Preparation of audit reports and submission to the Hon'ble President of the Republic to be laid before the Parliament.
 - Certification of Finance Accounts and Appropriation Accounts and submission to the Hon'ble President.



Role of SAIs - Bangladesh Perspective (contd.)

Types of Audit:

- Financial audit
- Compliance or regulatory audit
- Performance or Value for Money Audit



Improving the Governance

- ❑ Enhanced transparency and accountability if the chain of accountability operates in harmony, i.e., watchdog and oversight agencies (Parliament, CAG, Anti-corruption Commission)
- ❑ Change general perception of viewing audit as mainly fulfilling legal requirements



Improving the Governance (contd.)

- ❑ Encourage Govt. to strengthen internal controls and internalize the value addition of audit
- ❑ Govt. needs to recognize the cost and high returns of audits and commensurate funding
- ❑ International exchanges of ideas, knowledge and experience improve audits, harmonize standards and promote good practice



Improving the Governance (contd.)

Governance filter in specific sectors:

- Poverty Reduction Strategy Paper (PRSP) is a good start;
- Health Nutrition & Population Sector programme (HNPS)
- Revenue sector management
- Power sector reform
- Environmental improvement programmes
- Information technology and e-governance activities
- Education sector initiatives
- Strengthening the financial information system
- Privatization



Improving the Governance (Contd.)

- ❑ Preventing corruption is not an explicit responsibility of C & AG, audit may detect fraud and abuse.
- ❑ Application of sanctions exercised by Govt. is critical because of their deterrent effect.
- ❑ A made-in-Bangladesh strategy would be preferable to one developed or imposed by donors.



Challenges

- ❑ Effective audit is more vital
- ❑ Capacity constraints - human and financial resources
- ❑ Audit committees in all ministries
- ❑ Improved internal control system
- ❑ Timely response from auditee entities in respect of audit queries
- ❑ Information and Communication: convey right message to right people at right time in an understandable way
- ❑ Public/private partnership



Initiatives

CAG's Strategic Plan (2003-06)

- **Short-term Plan** aims at improving discipline and office management
- **Mid-term Plan** attempts workforce's professional development to carry out effective audit



Initiatives (contd.)

- **Long-term Plan** aims at developing an effective model organization through:
 - Constituting Audit Forum
 - Forming Female Officers' Forum within the organization for addressing gender issues
 - Identification of reform areas
 - Modernizing Financial Management Academy (FIMA)
 - Infrastructural development



Initiatives (contd.)

- **Tenure Plan** aims at:
 - Timely submission of audit reports to Parliament
 - Producing quality audit report
 - Enforcement of new audit approaches
 - Initiating IT audit
 - Expanding and consolidating relationship with the overseas SAIs
 - Develop private-public partnership and other agencies



Way Forward

- Enhancing capacity building
- Sustaining new approaches of audit
- Prioritizing risk areas of audit
- Strengthening follow-up impact of audit
- Developing collaborative efforts among the role playing agencies