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ACTION PLANS

Accounting Standards Issue	Current status	Action to be taken to move towards international standards
1. Has the Public Sector Accounting Law adopted IPSAS?	No. There is an accounts code.	<p>There is need for a financial management law adopting IPSAS full accrual on a gradual basis and for the CGA to develop a transition path¹⁵ first adopting IPSAS Cash and then full IPSAS. The accounting software and hardware infrastructure needs to be upgraded to support the accounting system needed.</p> <p>MOF has issued an order requesting the CGA to do the needful to prepare GOB financial statements in accordance with IPSAS cash basis.</p> <p>The first set of IPSAS based statements for the core ministries (excluding specialized organizations) will be produced for FY07-08.</p> <p>The first set of IPSAS-based statements for the specialized organizations will be produced for FY09-10.</p> <p>Form a committee including CAG, CGA, MOF, Professional Accounting Institutes, to work on an action plan to adopt accrual accounting as well as the legal formalities to be complied with.</p>
2. Does education and training of accountants accord with IES?	No. Training in Accounts is provided by FIMA.	<p>Recruitment and education and training standards should be revamped to match the need for qualified accountants.</p> <p>MOF in consultation with the CGA, CAG is to set up an Education Standards Working Committee (including relevant service cadres, academicians and professional accounting institutions) to chalk out the education and training requirement for public sector accountants and auditors. Action is to taken by MOF by March 2007 together with a TOR for the Committee.</p>

¹⁵ IFAC Public Sector Study 14 provides transition guidance.



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3. Does the ICAB Code of Ethics match international standards?	Partially. CAG Code is consistent with the INTOSAI Code.	The IFAC Code should be a basis for a code specifically suited to public sector accountants after thorough examination by the CAG. The CGA is to form a committee to do this by March 2007.
4. Is there a body to prescribe public sector accounting standards?	There is no dedicated body. The CGA does this but not as a Standards Board. CAG is responsible for prescribing the form and manner of maintaining the public accounts.	Audit Committees in public sector entities should ensure compliance. The Financial Reporting Council should monitor state owned enterprises. The CGA, CAG and ICAB should establish a public sector committee to establish standards. The CAG, CGA and ICAB are to use the same committee established for accounting standards for this purpose.
5. Are the financial statements in accord with the IPSAS standard?	No. The Cash Basis IPSAS for financial statements is not followed.	A statement of cash receipt and payment as per the Cash Basis IPSAS can be prepared using existing information from the accounting records. CFO with accounting qualifications should manage accounting functions in each government entity. The CGA component of the Financial Management Reform Project can take care of this matter. As the Govt. moves towards adoption of the IPSAS Cash Basis standards the cash flow statement will be consistent with the standards. The concept of CFO managing the financial management function in each government entity will be examined by MOF. MOF to come up with a policy paper on implementation by June 2007.
6. Is the statement of cash receipts and payments in IPSAS form?	No. This information is currently presented in formats inconsistent with the IPSAS.	This work requires restructuring of the CGA computerized reporting formats. As the Government moves towards adoption of the IPSAS Cash Basis standards the cash flow statement will be consistent with the IPSAS forms.
7. Are accounting policies and explanatory notes required?	No. Statements of accounting policy are not provided in the budget or accounts documents.	There is a need to state the accounting policy and the basis on which the accounts are prepared. The current notes will be reviewed and made consistent with IPSAS as implementation proceeds.



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8. Are other disclosures in accord with IPSAS?	Partly. Financial statements are not available within 6 months of the reporting period; some items are not disclosed, and presentation does not meet some transparency requirements.	It would be necessary to reduce the reporting lag; and to disclose some further information. Need to comply with the disclosure aspects of the treatment of foreign currency. This will be reviewed and made consistent with IPSAS as implementation proceeds.
9. Does the government issue a consolidated financial statement which consolidates all controlled entities?	No.	A statement of cash receipt and payment as per the Cash Basis IPSAS can be prepared. Further steps will be needed to include controlled entities. Presently all government receipts and expenditures are being incorporated into the Annual Financial Accounts with the exception of assets and liabilities. MOF has issued an order requesting the CGA to do the needful to prepare GOB financial statements in accordance with the IPSAS cash basis. The first set of IPSAS based statements for the core ministries (excluding specialized organizations) will be produced for FY07-08. The first set of IPSAS based statements for the specialized organizations will be produced for FY09-10. A committee will be formed by March 2007 including CAG, CGA, MOF, and Professional Accounting Institutes, to work on an action plan to adopt accrual accounting as well as the legal formalities to be complied with.

Auditing Standards Issue	Current status	Action to be taken to move towards international standards
1. Is the SAI statutory framework in accord with the needs of the INTOSAI Auditing Standards?	Partially. Some additional powers need to be established by legislation as set out below.	The draft of a new audit law is being prepared and is expected from the CAG by early 2007.
2. Is there a body to prescribe public sector auditing standards?	There is no dedicated body. The CAG does this rather than a prescribed body.	The CAG and ICAB are to form a consultative committee to provide guidance on issues relating to the implementation of auditing standards, especially in relation to certification audit and asset accounting and audit.

Auditing Issue	Standards	Current status	Action to be taken to move towards international standards
3. Have INTOSAI and IFAC audit standards been adopted?		The CAG has adopted the INTOSAI Auditing Standards.	The consultative committee will be used to consider ISA and develop formal implementation notes for guidance. ¹⁶ The CAG has noted that INTOSAI has adopted the ISAs and will follow this in Bangladesh.
4. Has a code of ethics equivalent to the INTOSAI standards been adopted?		Yes	
5. Is the accountability process in the SAI in accord with INTOSAI Auditing Standards?		Yes.	
6. Does the SAI legal framework meet the INTOSAI Auditing Standards for independence and powers?		No. The SAI needs improved legislation, especially for its personnel policies, funding arrangements, reporting processes, offence clauses, and the procedures for appointing an Auditor General.	The National Audit Law should match international models. ¹⁷ CAG should note that INTOSAI has adopted the ISAs and will follow this in Bangladesh.
7. Does education and training of auditors accord with INTOSAI and IES?		No. The staff needs more professional training. The current recruitment criteria for the financial auditors in the CAG Office do not give sufficient attention to accounting qualifications and as a result there is too much pressure on government training institutions to provide specialist knowledge.	Recruitment should require an accounting degree for auditors. Training programs should lead to professional certification. The CAG is to set up an Education Standards Working Committee (including relevant service cadres, academicians and professional accounting institutions) to chalk out the education and training requirement for public sector auditors. This will be done by June 2007 together with Terms of Reference. It should be noted that the matter requires Parliamentary and Government policy decisions.
8. Is the SAI equipped with the audit methods and technologies to meet the INTOSAI standards?		No. Improved methodologies are in the process of being developed. There is a lack of technology to support a management information system for the SAI.	The SAI needs improved technologies for audit office management as well as audit processes and reporting. The reform program for the CAG that is being provided under the Financial Management Reform Program will support the necessary improvements in this area and the items 9 through 18 below.

¹⁶ Bangladesh should nominate individuals to the Reference Panel of the INTOSAI Working Group on Financial Audit Guidelines, which is a subcommittee of the INTOSAI Auditing Standards Committee.

¹⁷ Guidance is provided by *A Model National Audit Office Act, The Association of Chartered Certified Accountants, UK, 2004.*

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9. Does the SAI have the quality assurance programs to meet international standards?		Partly. A QA Committee is working at the CAG Office and the Audit DG Offices. Implementation is a problem.	Improved working paper guidance and automation combined with more effective supervision and quality review processes are needed. A Quality Assurance Function is being established under FMRP to provide improved research facilities.
10. Does the process to plan the audits meet international standards?		Partly. Improved methodologies are in the process of being developed.	The testing for compliance should be more statistically based to enable valid conclusions to be drawn about systems of control and specific system defects to be identified for remedy. Systems-based audit techniques are being developed under FMRP which will enable the CAG to audit ministries as entities. Training is being piloted from June 2006. Auditors will be trained in preparing planning files that meet INTOSAI standards by June 2007
11. Does the process to supervise the audits meet international standards?		No. Working paper systems and audit methodologies do not currently enable effective supervision. Improved methodologies in the process of being developed through the entity wide audits being piloted.	A revised working paper structure should be implemented together with revised rules for audit supervision. The systems-based audit techniques being developed under FMRP will do this.
12. Does the process to evaluate the reliability of internal control meet international standards?		No. Improved methodologies are in the process of being developed..	The methodology needs to be risk and systems based. The Government has issued an Internal Controls Manual that can be used to improve the situation.
13. Does the process used in audits to assess compliance with laws meet international standards?		Partly. The testing for compliance should be more statistically based. Improved methodologies are in the process of being developed.	The methodology needs to be risk and systems based. The systems based audit techniques being developed under FMRP will do this.
14. Does the audit process used to obtain evidence to support conclusions meet international standards?		Partly. The evidence needs to be better organized.	More rigorous plans for audit testing need to be developed. The systems-based audit techniques being developed under FMRP will do this. The audit work is to be re-ordered around an evidence based opinion in line with INTOSAI Certification audit standards

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15 Does the audit analyze the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with?	No. Current financial accounts are not in a form to allow this.	The adoption of Cash Basis IPSAS would enable the CAG to do this. The FMRP opinion related audit methodology will be implemented and completed by July 2007 around an evidence-based opinion.
16 Does the auditor prepare an audit opinion on the financial statements in a form that accords with international standards?	No. The CAG signs the accounts but does not provide an audit opinion in the form required. The audit methodology needs to be changed to support an opinion that meets international standards and provides specific assurance about the adequacy of the accounts. The audit work must be planned to meet the confidence level that is implicit in the audit opinion, and which underpins the level and extent of audit testing required in order to express that opinion.	The methodology needs to be aimed at forming an opinion on the truth and fairness of the financial statements so that the CAG can sign an opinion in accordance with ISA 700 'The Auditor's Reports on Financial Statements'. The FMRP will have developed processes for the CAG to audit ministries as entities and express an audit opinion as required by the INTOSAI standards by July 2007
17. Does the consideration of fraud and error in an audit of financial statements accord with international standards?	Partly. Audits focus on examining transactions for discrepancies and regulatory breaches but not in a sufficiently systematic way.	The testing needs to be more statistically based. Forensic audit training is needed. The FMRP will arrange for audit work to report on propriety and effectiveness of public expenditure.
18. Is the process for taking action on audit recommendations sufficiently effective to meet international standards?	Partly. Governance requirements are inadequate. For SOEs there are major delays in issuing audit reports, long standing unresolved audit queries, and general lack of response to audits. There is dissatisfaction with the audit reports going to the PAC. CAG reports could be improved in terms of communicating clear objectives, addressing more relevant problems, making more effective recommendations and involving more extensive audit work.	Governance requirements in the SOEs need to be upgraded. The PAC needs additional support and the audit reporting needs to be improved to suggest ways in which control systems can be affordably strengthened to reduce the risks of errors – accidental or deliberate. Under FMRP there is a goal for ministries responding to audit reports more promptly with corrective measures implemented. Better quality reports are to be produced with more meaningful observations by June 2007.