

Workshop on Process of Internal Audit and Financial Reporting

Venue: Local Government Engineering Department (LGED)
LGED Bhaban, Agargaon, Shere Bangla Nagar Dhaka-1207
Date: 31th March 2022

Rapporteur's Report

A. Introduction:

Bangladesh is one of the leading countries in South Asia as a role model in Financial Management systems and Discipline. The Finance Division under Ministry of Finance (MoF), Bangladesh is taking the lead in this regard. In recent years the Finance Division has taken several groundbreaking steps in the field of Public Expenditure Management in Bangladesh. For this purpose, the Finance Division, MoF has approved the Public Finance Management Action Plan 2018-2023; where 08 (eight) of the 14 (fourteen) components will be implemented by the Finance Division. Notable among these eight components are the **Integrated Budget Accounting System (iBAS++)**, introduce of **Budget Accounting Classification System (BACS)**, initiate to introduce **Internal Audit System**, etc.

Workshop on Process of Internal Audit and Financial Reporting is an important task for the Scheme on Internal Audit and Audit Follow up, which is part of the Strengthening Public Financial Management Program to Enable Service Delivery (SPFMS) program. Several workshops are planned to be conducted under this Internal Audit and Audit Follow-up scheme and this workshop is a special part of it. This workshop was conducted on March 31, 2022, at LGED Bhaban Auditorium, Agargaon, Dhaka under the leadership of Sulekha Rani Basu, Additional Secretary, Finance Division, Ministry of Finance and Engineer Sk. Md. Mohsin, Chief Engineer, LGED was the chief guest in this workshop. The workshop was attended by various officials of the LGED, various PIT members of the Finance Division, and officials of the Internal Audit Scheme (details participants list is included in attachment-3 of this report).

In this workshop, there was a key-note presenter on Internal Audit and two discussants on two special topics related to Internal Audit: Post Procurement Review and Financial Reporting on iBAS. After the three presentations, the participants were divided into three groups (each consisted of five participants) for group work. During this group work the participants had discussed and brain stormed on assigned topics. Later on, deliver their group presentation. The three groups brain-stormed various aspects and issues and provided recommendations related to the internal audit matrix (details about the group exercise is mentioned in Section F of this report).

B. Opening Ceremony:

In this workshop the Chief Guest was Mr. Sk. Md. Mohsin, Chief Engineer, LGED. During his inaugural speech he mentioned that the workshop will be a landmark step to establish an internal audit system in the Local Government Engineering Department. He added that LGED spends a huge portion of its budget on establishing a nationwide road communication network. So, Internal Audit will play a vital role for the department.

During the speech, the chairperson, Sulekha Rani Basu, Additional Secretary, Finance Division said that the scope of work of LGED has increased across the country. She added, that the proper use of government funds must be ensured and there must be transparency and accountability in these expenditures. Internal Audit cells will be set up in all ministries and departments in phases. She urged the participant to pay proper attention to the session of the workshop. The Program Executive and Coordinator (PEC) Mr. Md. Rafiqul Islam, SPFMS Program has conducted the ceremony.

After the speech of the Chief Guest and Chairperson, the experts presented their topics in three sessions.

C. First Session:

Procurement Pre & Post Review and Risk Management

Mr. Mohammad Nasir Uddin, MCIPS, Sr. Consultant (Procurement Specialist), has presented on the procurement, pre & post review and risk management. He discussed the need of post procurement review as per The Public Procurement Act 2006 and The Public Procurement Rules 2008. He also discussed methodology and scope of post Procurement review. He presented the time schedule for tender, delegation of financial power, tender approval time frame table, compliance with rules and acts, main aspects, documentations, procedure consider in a procurement file.

D. Second Session:

Expenditure Process and Report from iBAS++

Mr. Md. Rafiqul Islam, Program Executive & Coordinator (PEC), Deputy Secretary, SPFMS Program and Scheme on Internal Audit and Audit Follow-up, has discussed on Expenditure Process and Reporting from iBAS++. During the presentation he discussed the following topics: four modules of iBAS++: Budget Preparation, Budget Execution, General Ledger, Accounting. He briefed about Features, Perimeters, objectives of iBAS++, process flow of iBAS++, Expenditure Report on iBAS++, way of internal-audit controls, financial management, monitoring as well as system audit. He cited various examples along with the presentation.

E. Third Session:

Process of Internal Audit System

Mr. Amitava Saha, CGIA, Treasurer, Institute of Internal Auditors Bangladesh presented this session. Mr. Saha delivered and discussed some of the important aspect of Internal Audit such as:

- Definition and meaning of Internal Audit;
- Function and value of Internal Auditors;
- The Auditor Mindset;
- The IIA's three-line module;
- Internal Auditors Evaluate Risks;
- Time to Talk About Risk, Risk-related Questions, Four Responses to Risk;
- Who is Responsible for Managing Risk, Risk Management, Prioritizing Risks: Heat Map, Internal Control in Public Sector Organization;
- Who is Responsible for Control, Auditing Standards;
- Code of Ethics, IIA Standards, meaning of Risk-Based Approach in Auditing;

- Internal Audit Process, Engagement Planning, Planning Steps, Conducting a Preliminary Risk Assessment, Risk and Control Matrix: Accounts Payable, Risk and Control Matrix, IPPF Standard 2010 – Planning;
- IPPF Standard 2200 – Engagement Planning, Performing the Engagement, root cause analysis (RCA), Reporting and Follow-up, Monitoring Progress (2500), etc.

He gave various examples along with the presentation. At the end of the presentation, Mr. Amitava Saha divided the participating team into three groups and completed a group exercise.

F. Group Exercise:

At this stage, the participants in the workshop were divided into three groups. Each Group identified and assessed minimum 5 risks in three areas i.e. Procurement Risk, Human Resources Risk, Financial Risk and presented in a Risk Control Matrix.

1. First group: The first group worked on procurement risk area. The first group presented the following matrix:

Objective	Inherent Risk	Impact	Likelihood	Control
Procurement Risk	Delay in Procurement	Low	Medium	Strengthen the Contract Management
	Inferior quality of goods	High	Low	Emphasis on Quality Control
	Corruption and Fraudulent in tendering	High	Low	Strengthen Monitoring and Evaluation System
	Improper Evaluation	Medium	Low	eGP System Develop
	Natural Calamities	High	Low	Ensuring Insurance

2. Second group: The Second group's area was Human Resources Risk. The Second group presents this topic in the following matrix:

Objective	Inherent Risk	Impact	Likelihood	Control
Human Resource Risk	Right Man Right Place	High	High	Properly Select Human resources for relevant place
	Lack of Skilled Manpower	Medium	Medium	Device procedure to higher skilled manpower
	Wrong selection procedure/Recruitment	Medium	Medium	Must defined selection procedure
	Increase Capacity Building	Medium	Medium	Training facilities for the human resources
	Shortage of Manpower	Medium	Medium	To Prepare recruitment plan Timely Selection/ Recruitment

3. Third group: The Third group's area was Financial Risk. Their findings are as follows:

Objective	Inherent Risk	Impact	Likelihood	Control
Financial risk	Market risk	High	Medium	Rate adjust scope reduce
	Liquidity risk	Medium	Low	Contractor in-solvency
	Operational risk	High	Medium	Delay in delivery of goods & services
	Reporting risk	Medium	Low	Audit report
	Foreign exchange risk	Medium	Low	Make and received payments only in your own currency.

G. Conclusion and Recommendations:

Through this day-long workshop, participants learned about various issues on Internal Audit of Public Works Department. At the same time, got ideas on how to overcome all these problems and risks related to internal audit. As a result of this workshop, we hope that Local Government Engineering Department (LGED) will take an initiative to build up an Internal Audit team and unit as well as to achieve some success of Internal Audit.

Recommendation: Through brain storming the groups recommended the following matters for the purpose of establishing internal audit system in the Local Government Engineering Department:

Recommendations for Procurement risk issues:

- Strengthen the Contract Management,
- Emphasis on Quality Control,
- Strengthen Monitoring and Evaluation System,
- eGP System Develop.
- Ensuring Insurance

Recommendations for Human Resource issues:

- Properly Select Human resources for relevant place,
- Device procedure to higher skilled manpower,
- Must defined selection procedure,
- Training facilities for the human resources,
- To Prepare recruitment plan and timely selection/ recruitment.

Recommendations for financial risk issues:

- Rate adjust scope reduce,
- Contractor in-solvency,
- Delay in delivery of goods & services,
- Audit report.,
- Make and received payments only in your own currency.

In order to establish internal audit of Local Government Engineering Department, the above mention point was identified for further discussions, debates, research and advocacy and policy considerations. The participants were enthusiastic about the day-long workshop. They also showed keen interest in establishing an internal audit system in the Local Government Engineering Department. In this way, we will be able to establish audit system among the five major high expenditure Ministry/ Division/ Departments of the government.

Thanks, and gratitude to the respected PIT Head, Mr. Kabirul Ezdani Khan, Additional Secretary, Budget and Expenditure Management, Finance Division for his kind suggestions and instructions and to Mr. Md. Rafiqul Islam, Program Executive and Coordinator, SPFMS Program for his continuous efforts and cooperation.

Rapporteur's Report Prepared By:

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