

Workshop on Process of Internal Audit and Financial Reporting

Venue: Roads & Highway Department
Sarak Bhaban, Tejgaon, Dhaka-1208.
Date: 29th 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 Scheme on Internal Audit and Audit Follow up which is part of 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. The workshop started on March 29, 2022 at Sarak Bhaban Auditorium, Roads & Highway Department, Tejgaon, Dhaka under the leadership of Sulekha Rani Basu, Additional Secretary, Finance Division, Ministry of Finance. Engineer Md. Rezaul Kaarim, Additional Chief Engineer, Management Services Wing, Sarak bhavan, Roads and Highway Department, Roads Transport & Highways Division was the chief guest at this workshop. The workshop was attended by various officials of the Roads Transport & Highways Division, Roads and Highway Department, various PIT member of Finance division and officials of Internal Audit Scheme. Among them, there were 13 officers of Roads and Highways Departments and 2 officers of Roads & Highways Division (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.

B. Opening Ceremony:

Additional Chief Engineer of Roads & Highway Department said in his inaugural speech that today's workshop is very important for the introduction of Internal Audit System in Roads &

Highway Department. He added that the Roads & Highway Department spends a large portion of the government development budget.

The Chairperson, Ms. Sulekha Rani Basu, Additional Secretary, Finance Division said that there is no substitute for internal audit to ensure proper utilization of public fund and establish accountability. 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. After the speech of the Chief Guest and Chairperson, the experts presented their topics in three sessions and the Program Executive and Coordinator (PEC) Mr. Md. Rafiqul Islam, SPFMS Program has conducted the ceremony.

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 presented the need of post procurement review as per The Public Procurement Act 2006 and The Public Procurement Rules 2008. He also discusses 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 this presentation he discussed the following: four modules: 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:

Risk-based Internal Audit for better assurance:

Mohammed Iqbal Hossain (CIA, CISA, CISM, CGEIT, CFE, CGIA) President, Institute of Internal Auditor Bangladesh, President, Former Controller General Defense Finance, Former Deputy Comptroller and Audit General (Senior), and Md. Rafiqul Islam, Program Executive & Coordinator (PEC), Deputy Secretary jointly presented this session. Discussion was held on Definition of Audit, meaning of Internal Audit, function of Internal Auditors, Value of Internal Auditors, The Auditor's 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, What is root cause analysis (RCA),

Reporting and Follow-up, Monitoring Progress (2500), He gave various examples along with the presentation. After this presentation group work was facilitated by Mr. Rafiqul Islam, PEC.

F. Group Exercise. 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 and presented in a Risk Control Matrix. They have segregated the risk into the following areas: Procurement Risk, Human Resources Risk, Financial Risk.

1. First group: The first group worked on Human Resources Risk area. The first group presented the following matrix:

Objective	Inherent Risk	Impact	Likelihood	Control
Human Resource Risk	Lack of enough Workforce	High	High	Revision of organogram & regular recruitment
	Lack of internal Audit Department in Organogram	Medium	High	Revision of organogram
	Lack of adequate facility for capacity building	High	Medium	Training need analysis & providing training
	Person specialized in certain area not posted according to his area	Medium	Medium	Develop guideline
	Discontinuity in certain position	Medium	Medium	Internal control

2. Second group: The second group's risk area was procurement risk. The Second group presents this topic in the following matrix:

Objective	Inherent Risk	Impact	Likelihood	Control
Procurement Risk	Inaccurate need analysis	High	High	Clear understanding
	Questionable specification	High	Medium	Integrity
	Selection of Procurement Methods	Medium	High	Knowledge
	Delay in evaluation and approving procedure	Low	Medium	Duties need to be segregated
	Tenderer selection	Medium	High	Integrity

3. Third group: The Third group's risk area was Financial Risk. The third group presents this topic in the following matrix:

Business Objective	Inherent Risk	Impact	Likelihood	Control
Project Expenditure are appropriate and authorized	Cost Over run	High	Medium	Well planned scope and strict monitoring
	Fund Constraint	Low	High	Well planned Budgeting
	Supply Disruption	Medium	High	Contractual Provision
	Fiscal Policy change	Low	High	Contingency Plan
	Exchange rate escalation	Medium	Medium	Contingency Plan

G. Conclusion and Recommendations:

Through this day-long workshop, participants learned about various issues on Internal Audit of Roads and Highway 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 Roads & Highway Department will take an initiative to build up an Internal Audit team and unit as well as to achieve some success of Internal Audit. Above all, we need to submit Internal Audit Charter and risk-based Internal Audit Manual immediately.

Recommendation: Through brain storming the groups recommended the following matters for the purpose of establishing internal audit system in the Roads and Highways Department:

Recommendations for human resource risk issues:

- Revision of organogram & regular recruitment,
- Training need analysis & providing training,
- Develop guideline,
- Internal control.

Recommendations for procurement risk issues:

- Clear understanding,
- Integrity,
- Knowledge,
- Duties need to be segregated.

Recommendations for financial risk issues:

- Well planned scope and strict monitoring,
- Well planned budgeting,
- Contractual provision,
- Contingency plan.

The participants were enthusiastic about the day-long workshop. They also showed keen interest in establishing an internal audit system in the Roads and Highways Department, Road Transport & Highway Division, Bangladesh. As a result, we hope to achieve some success of Internal Audit.

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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