

# Workshop on Process of Internal Audit and Financial Reporting

Venue : Public Works Department, Purta Bhaban, Segunbagicha, Dhaka-1000, Bangladesh

Date: 23rd March 2022

## Rapporteur's Report

### **A. Introduction:**

Finance Division, Ministry of Finance has taken a number of ground-breaking steps in the field of public expenditure management in Bangladesh in recent years. Notable among these are the Integrated Budget Accounting System (IBAS), introduce Budget Accounting Classification System (BACS), initiate to introduce Internal Audit System etc. Internal Audit scheme is important and change management amongst them. Workshop on **Process of Internal Audit and Financial Reporting** is one of the important activities under the **Scheme on Internal Audit and Audit Follow up**, which is part of Strengthening Public Financial Management Program to Enable Service Delivery (SPFMS) program. A series of workshops will be held in the high-spending five departments. The workshop has started in the morning by the chair of Ms. Sulekha Rani Basu, Additional Secretary, Finance Division and Engr. Md. Nasim Khan, Additional Chief Engineer (E&C), Public Works Department, MoHPW has grace the occasion as the Chief Guest. Fifteen participants comprised of officials from MoHPW, PWD and from FD attended this workshop. 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 Public Works Department stated in his inaugural speech that today's workshop is very important for the practical initiation of Internal Audit System in Public works Department. He added that the public works department spends a large portion of the government development budget, so need to abide by the process and procedures and mitigate issues and recommendations through Internal Audit. At the end of his speech, he has inaugurated the workshop with enthusiasm.

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. She urged the participants to pay proper attention to the sessions of the workshop. 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:**

Mr. Mohammed Iqbal Hossain (CIA, CISA, CISM, CGEIT, CFE, CGIA), the President, Institute of Internal Auditor Bangladesh, has presented on definition of Audit, meaning of Internal Audit, function of Internal Auditors, Value of Internal Auditors, the Auditor's-Mindset, the IIA's three lines 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. At last, he briefed about group work exercise and group presentations.

### **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 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 procurement risk area. The first group presented the following matrix:

<b>Business Objective</b>	<b>Inherent Risk</b>	<b>Impact (L.M.H)</b>	<b>Likelihood (L.M.H)</b>	<b>5 Control</b>
Ensuring	Non-availability of drawing, design & specification before estimate results	H	H	Design & drawing before Large project
Transparent, Timely, Quality effective public. Procurement with best interest of people's money	Slow process for approval of estimate and tender	M	L	Suggestion for Automation
	Less competition for bidding	M	H	Modification of PPA, PPA & e-GP
	Less cash-flow during implementation	M	H	To increase cash flow depending upon finishing work.
	Low quality of materials lack of workmanship	M	H	To increase testing to increase supervision of work.

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

<b>Business Objectives</b>	<b>Inherent Risk</b>	<b>Impact (L.M.H)</b>	<b>Likelihood (L.M.H)</b>	<b>5 Control</b>
To ensure Quality, monitoring and proper implementation of project	Lack of Proper Professional training	H	M	Capacity Build-up by taking technical assistant Project.
	Lack of logistic Support.	M	H	Advance planning and taking necessary steps.
	Shortage of Manpower	H	H	Post creation and Recruitment
	Lack of Motivation	M	M	Ensuring good working environment and incentives
	Right people in Right place	L	M	Establishment of Performance monitoring system.

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

<b>Business Objective</b>	<b>Inherent Risk</b>	<b>Impact (L.M.H)</b>	<b>Likelihood (L.M.H)</b>	<b>5 Controll</b>
To ensure financial	Undue payment	H	M	Proper Inspection & Monitoring

Integrity of the Organization or Personnel's				
	Unauthorized payment/Payment without proper Approval	M	H	Taking proper Initiatives
	Improper Economic Code	M	H	Creation & Allocation of Fund in proper Economic Code.
	Unnecessary purchasing	M	M	Formulation and Following procurement plan
	No proper deduction of Vat/IT	M	M	Reduction of Vat/IT according of Govt. Circular
	Unavailability if Fund	L	M	Due persuasion
	Not Following proper Procedure of payment	M	H	Follow Financial codes with care

## G. Recommendations and Conclusion:

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 PWD 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.

MoHPW: Ministry of Housing and Public Works Department; LMH: Low, Medium, High;

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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