

# Interview of the Week

## Books of accounts can tell the story

A former officer belonging to the audit and accounts cadre of the Bangladesh Civil Service who retired as Secretary-in-Charge of the ministry of telecommunications, M Hafizuddin Khan, the Comptroller and Auditor General, has always been held in high esteem among his colleagues for moral uprightness. Near the end of his tenure as CAG, Khan looks back at his long career as a public servant and shares his vast experiences with The Daily Star in an exclusive interview last month. Excerpts of a revealing interview:

**The Daily Star (DS): As the Comptroller and Auditor General (CAG), what is your mandate?**

**M Hafizuddin Khan (MHK):** My mandate has been described by the Constitution of Bangladesh in the Articles 127 and 128, the Chapter 3 of the Constitution. Basically, my function is to audit the accounts of the Republic and also prescribe the forms and methods of keeping of accounts of the government and to audit the appropriation accounts and finance accounts. Then these are compiled in the form of reports which I submit to the honourable President and as per the Article 132 of the Constitution, the honourable President forwards the reports to the parliament.

**DS: In this context, how would you describe the state of affairs? Are you influenced, or interfered, by the Executive in any way?**

**MHK:** Not exactly. As far as my functions are concerned, I am quite free. The Constitution has given me that freedom, that liberty, that protection. But there are situations where I face problems. For example, sometimes when I want to conduct audit, I face resistance. If not resistance, at least there are attempts to evade. But once again, I would like to say that I am independent.

**DS: In theory, you are. But in practice, how far are you?**  
**MHK:** If I want to perform and function independently, I should have administrative independence and I should have authority over resources and logistic support that I need to carry out my responsibilities. Here, I really have serious problems.

**DS: Since taking over as the CAG, have you ever tried to influence the government or impress upon the government to change these things which might have given you administrative and financial independence?**

**MHK:** Yes, a number of times. In fact, I have constantly been trying.

**DS: What has been the response so far?**

**MHK:** Almost no response.

**DS: Where do you face these barriers? Do they come from the civil servants, the bureaucrats who are your former colleagues, or the politicians?**

**MHK:** To start with, the administration, as a whole, doesn't understand the importance of audit, the importance of my job. That is the basic problem. Auditing has always been neglected in our country. If you compare our office building with that of any other country, you will see the difference. For example, in the Pakistan time, I mean before Liberation, when the East Pakistan didn't have a separate building, the offices were housed in a tinshed structure. Then this magistrate's building and auditor general's office were constructed. That was the initiative of the then finance ministry and the audit organisation of that time. Then after liberation, nearly 28 years have gone by, the auditor general has got an office which is an abandoned building. There are operational difficulties. The office is spread over three locations. Some portion here, another portion on the western side, and the other in a private house across the road.

**DS: Have you tried to sort this problem?**

**MHK:** I have tried to solve this problem. Finally, we have got a piece of plot allotted but not its possession as yet. Even if it is handed over to me now, it would take another three years to get adequate fund and construct the building. It is just an example of how the administration perceives and values our work.

**DS: And then as regards the proposal that I have submitted to the ministry of finance, my administrative ministry, on various points time and again, practically nothing has been done so far.**

**DS: But transparency and accountability of the government is very much linked to the institution of auditing. Do you follow up on the reports and objections?**

**MHK:** You see, transparency and transparency, one of the major institutions is the auditor general's office, in all democratic set-ups. But the auditor general can only report and that we have been doing.

**DS: Do you have the authority to enforce corrective measures in the context of objections put forth in your reports?**

**MHK:** No, I don't have any authority. My report ultimately goes to the parliament and then to the public accounts committee (PAC) which is supposed to consider my reports and take necessary actions. Generally, they (PAC members) examine the reports and make recommendations, but there is no institutional arrangement or formal arrangement to follow up whether the recommendations have been implemented or not.

**DS: That means the whole exercise of the CAG's office is wasted.**

**MHK:** Yes, you may say so. But as far as I have done so far, at least awareness has been created. I can claim that.

**DS: That's because of the media. The government or the administration has done nothing so far. Independent media has picked up this issue, portrayed the state of affairs and at times publicised the contents of your reports.**

**MHK:** Yes, I must thank the media.

**DS: But the administration has not done anything. What measures would you suggest to change the situation?**

**MHK:** First of all, the public accounts committee must be much more active. At present, the committee has got nearly 450 reports lying with it. So if they start disposing one report a day—which is absolutely impossible, because sometimes one report contains hundreds of objections—they will require 450 working days. And I hope to submit some more reports within a month or so.

**DS: Do you have enough manpower to conduct the auditing? It seems to be a huge task.**

**MHK:** You see we can audit only five per cent of the total government expenditure.

**DS: That means you don't have enough manpower.**

**MHK:** No, that is not exactly the position. I don't have enough technical manpower, or rather I should say, technically qualified manpower. And then in no country is it possible to audit one hundred per cent of the government expenditure. It has to be always some portion. But it is not important what portion of the expenditure is audited. It can be two, three or five per cent. What is important, however, is what actions are taken on those reports. One single audit report can shake up the entire administration, if appropriate action is taken on the findings of the audit report.

**DS: Isn't it frustrating for you as the head of the institution or for your colleagues that nothing is being done, no action is being taken based on your reports?**

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**MHK:** At this moment, I should not be frustrated. Because, you see, there was no democracy and there was no parliament for a long period of time. Importance of this institution is very much dependent upon democracy and democratic culture. So, in a sense, I am rather optimistic. If things move in the right direction, if due importance is attached to this institution; it will change, if not in the current parliament, the next parliament or maybe in near future. But once again, I would like to emphasise that much depends on the perception of the society as a whole, the politicians, on how much importance they attach to the audit reports. For example, in the budget speech the finance minister has suggested a number of measures to streamline tax administration, to reduce corruption, and he hopes that a considerable amount of revenue will be generated by streamlining the tax administration. But nobody has ever said anything about saving resources through proper expenditure control. My audit reports highlight instances of fraud, misappropriation and wastage of public resources. If these are not controlled, whatever amount of revenue you raise by any measure will go down the drain. Even so, nobody has mentioned these things, no government has ever mentioned these things either in any of their budget document or in any of their policy statements on budget and finance of the country.

**DS: You talked about effective functioning of the Public Accounts Committee, but do you think that the committee has the secretarial support necessary to handle these things?**

**MHK:** No, not at all. They don't have any secretarial support. I provide them secretarial support. They have borrowed an officer from me. They are using my office, my computers, all these things. The public accounts committee doesn't have any secretariat.

But you have to see the importance of the committee. The

Transparency and accountability of the Executive can best be ensured through proper auditing of state expenditure, Comptroller and Auditor General M Hafizuddin Khan tells Toufique Imrose Khalidi



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Constitution of the Republic provides for two committees. The number one is called Accounts Committee as per Article 373 and the other is Committee of Privileges. These are the two committees specifically mentioned in the Constitution of the Republic, and then five other standing committees which the Rules of Procedure of the parliament require. The number one committee is a necessity for any democratic set-up, for any government. But this Public Accounts Committee, or for that matter any other committee, has not got a secretariat of its own.

**DS: Do the members of the Public Accounts Committee take interest in these matters?**

**MHK:** Yes, sometimes they contact me, and I also contact them. The Chairman takes a lot of interest, but he is handicapped. He does not have a secretariat of his own and, as I have said before, has to depend on me. Here, I may give you an interesting figure. So far the Public Accounts Committee has held 59 meetings. I think so far they have been able to produce 34-35 reports.

**DS: They have disposed of only 35 reports?**

**MHK:** No, I mean 59 meetings have been held.

**DS: Since when...**

**MHK:** Since it was formed. It's a continuous body. In every parliament, a public accounts committee is formed. They have held 59 meetings, so there must be 59 proceedings, containing decisions and recommendations. This has not been possible so far, for lack of logistic support.

**DS: Where does the problem lie? Who would you blame?**

**MHK:** It is difficult to pinpoint a particular body or organisation to blame. It is the system as a whole, which is responsible. But this is not a new phenomenon. That the Public Accounts Committee does not have a secretariat is not a new phenomenon.

**DS: No, I'm not talking about the Public Accounts Committee only. I'm talking about the whole situation. There is no follow-up on your audit reports. Who would you blame for that?**

**MHK:** Meetings that take place of the public accounts committee and the decisions that they take, there is no institutional arrangement to follow up whether the recommendations are implemented or not. The system has not really developed and that is the problem.

**DS: Can you catch the big fishes?**

**MHK:** Yes, the reports that I have submitted will definitely indicate a few big ones.

**DS: There appears to be a huge backlog in auditing.**

**MHK:** When I took over as the auditor general, I found out that the last report had been submitted to the parliament in 1987-88 and somehow I have been able to clear the backlog and we are now almost up-to-date. If this trend is maintained, I hope there will be absolutely no backlog very soon.

**DS: As a former member on the audit cadre, what do you think was the problem at that time? Why was the backlog created in the first place?**

**MHK:** I have told you earlier, if there is no parliament, there will be no democracy.

**DS: But the Office of the CAG has always remained as an independent body.**

**MHK:** Somehow or the other, it has happened. And this is what I have got when I became the auditor general.

**DS: Are you supposed to conduct audit into accounts of all the government ministries, departments and autonomous organisations?**

**MHK:** Yes, even the companies of which the government holds more than 50 per cent share.

**DS: How many auditable units are there under your jurisdiction?**

**MHK:** I have got more than 22,000 auditable units. For auditing, I have got nine public auditors. Including technical and non-technical staff, I have 2,000 pair of hands. You see, these units range from the ministries down to the union parishads. And there are organisations like the PDB, the Water Development Board, DESA, WASA.

**DS: Still, you are saying there will be no backlog very soon. Will you be able to cover all the 22,000 units?**

**MHK:** No, not at all. It's kind of random selection process. That's why we are trying to change the form and content of audit. We select high-risk areas.

**DS: How do you define high-risk areas?**

**MHK:** The areas where the scope of corruption, mismanagement and wastage is higher.

**DS: What are the indicators? Are there any formal indicators?**

**MHK:** No, there isn't any formal indicator, but we know from our experience what areas to select. For example, in a ministry, there is not much to be seen... the ministry staff, consumer items, etc., but the directorate under it may need more scrutiny.

**DS: Which ones would you rate corruption-prone?**

**MHK:** The question is rather which one is not.  
**DS: Now let's switch on to a sensitive area. It is alleged that our defence expenditure is not properly audited. Their purchases are not properly audited. Are you going to that area?**

**MHK:** I don't know how the allegations started, because we do conduct audit.

**DS: But there is a general perception that a lot more is spent than necessary.**

**MHK:** Actually, it depends on the audit team that we send there. It depends on how efficient they are, how dutiful they are. As I have mentioned, corruption is everywhere in Bangladesh.

**DS: Then you are admitting that corruption exists in your office too.**

**MHK:** Of course, why should I not? It is not an isolated organisation. I mean, there is no organisation in Bangladesh that is free from corruption. As I was talking about auditing defence purchase... if the (audit) team performs its duty properly, if it is seri-

ous, it can definitely unearth what is going on there. I have conducted an audit into defence expenditure and submitted a report. There was supposed to be a meeting but it could not be held because the minister for defence was away from the country.

**DS: Was the meeting conducted by the public accounts committee?**

**MHK:** Yes, on my report.

**DS: What are the major types of irregularities that you usually come across?**

**MHK:** There are three kinds of audit. One is financial audit, the second is compliance audit and the third is performance audit. In financial audits, keeping of books is examined whether money received has been accounted for, whether money spent has been accounted. It is basically keeping of books. Then comes compliance audit, whether the rules and regulations have been complied with or not. And then, the performance audit, which is a modern concept. We have studied the performance of organisations.

**DS: When have you started doing performance audit?**

**MHK:** Very recently. You see, this type of audit requires specialised skills.

**DS: Is the CAG's office equipped enough to do this kind of audit?**

**MHK:** Yes, we have trained our staff. We have sent some officers abroad for training on performance audit. Also, we have arranged training locally.

**DS: Are you impressed with the performance of your officers?**

**MHK:** Yes, we have started it recently. It was not there before. This is a modern concept of auditing. Already we have submitted three reports.

**DS: On which departments?**

**MHK:** One on the National Book Centre, and then on the nationalised commercial banks and some other organisations, and yes, Bangladesh Biman. But it's just the beginning. We didn't have enough skilled manpower for that work. Only recently have we trained some of our officers. There are projects in the pipeline which, when implemented, will provide us with enough manpower for conducting performance auditing.

**DS: Is it possible to conduct a proper audit into all the auditable accounts in Bangladesh?**

**MHK:** It's not possible (to audit all auditable accounts). In no



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country. It is done.

**DS: How much do you cover at the moment? Five per cent?**

**MHK:** Not more than five per cent.

**DS: Do you think it is enough?**

**MHK:** Not really, we would definitely like to do more.

**DS: What is the international standard?**

**MHK:** There is no such strict standard. With the development of information technology, we will be able to do more. We will be able to cover more areas. You must have heard of Computer-assisted Auditing (CAA) and we have a project for that also. So that will help us cover more areas.

You see, all things are done manually. If a team goes to conduct audit, it comes back and it starts writing reports manually. Then it is sent to the concerned officers for comments. The whole process takes a long time. If it could be done on computers, it would expedite the whole process, and I could definitely cover more areas. As I said, there are a number of projects. One of them is strengthening the office of the auditor general. It is financed by the UNDP. It has already started. Then there is one project called IGA (Information on Government Auditing). We have got one academy called the Financial Management Academy and one project to improve the training facilities there. There is another project (RIBEC) for accounting purpose. It seeks reforms in budget and expenditure control. It seeks to modernise the accounting system of the government.

**DS: What immediate measures would you suggest?**

**MHK:** First, the Public Accounts Committee has to be strengthened. Otherwise whatever work I do, if the committee doesn't get time to examine my reports, to prepare the recommendations, and to oversee whether the recommendations are implemented, will be just an exercise in futility. So, my first recommendation will be to strengthen the Public Accounts Committee so that they have a system, an institutional arrangement, to see that their recommendations are implemented. And then, the reform measures that we have taken up already, the projects that have been undertaken in this regard should be implemented. You know it is difficult sometimes to get funds. For any development project, it is the same. You have to go to the planning commission, to the ministry, etc. So, the projects should be smoothly implemented without any hassle. And, above all, the auditor general's office should have administrative independence.

**DS: So, the strengthening of the CAG's office depends much on reforming the bureaucracy, changing the whole system.**

**MHK:** Yes, I'll give you an example. To strengthen my office and to make my organisation far more efficient, I have made some proposals. I proposed that there be one chief accounts officer in each ministry/division. Now there are 23 accounts officers for all the ministries and divisions. The ministries must have an internal control system, while CAG's will be external audit. Internal audit should be done at each ministry, each department. Auditors cannot go to each ministry and division, because it is not possible. The PSC (Public Service Commission), after I brought this to its attention, has also recommended that there be internal control system. The recommendation calls for creation of 30 additional posts of officers. That means we will have the strength of a total of 280 officers. This proposal has been lying with the ministry of establishment ministry thinks that this will expand the audit and accounts cadre which they don't like. Unfortunately, cadre considerations have crept in. The administration cadre has got more than 4,000 posts, still they don't like that the audit and accounts cadre should have 30 additional posts. It was cleared by the ministry of finance but is now lying with the establishment ministry. I personally went to the ministry and made a presentation there with all the charts and auditable equipment and everything.

**DS: The CAG has to go to the establishment ministry?**

**MHK:** Yes, for everything I have to go to the establishment ministry.

**DS: There seems to lie the problem. You need administrative freedom.**

**MHK:** I will give you another example, a classic example. As I have said before, we have an academy called FIMA (Financial Management Academy) not only for training my officers but also for training officers across the government and all persons who are dealing with finance, accounts, budgeting etc. That academy has got a post of a librarian. At that time the academy was small and had not too many books. Perhaps, that was the reason the post was not filled up. Now the library has got more than 10,000 books and we need a librarian. The post is there and so I approached the establishment division to allow me to recruit a librarian. For such recruitment, prior clearance is needed from the establishment ministry. They rejected the proposal outright. Then I went there myself and told the establishment secretary, "Can a training institution exist without a library?" He said, "No." Then I asked him, "Can a library be run without a librarian?" He said, "No." Then I asked him, "Why have you rejected the proposal? Why aren't you allowing me to recruit a librarian?" Then he gave his permission. Since it's a Class Two post, it has to be filled up by the Public Service Commission. So, I requested the PSC for a suitable hand. They said 'no' because there is a recruitment rule. Somehow the recruitment rule, when the post was created in 1993, had no mention of recruiting for a single post. So, I requested them to follow similar recruitment rules in other departments, especially I mentioned the post in the ministry of foreign affairs. They have got a library and the librarian is a Class Two post. I requested for a similar post (for my library) but they turned it down. Do you know how much time is required to prepare a recruitment rule? It takes not less than three years. That means my library will go without a librarian for another three or four years.

**DS: These things must be very frustrating for you?**

**MHK:** It is frustrating. Heaven would not have failed, had they not created the post of the librarian of the FIMA.

**DS: When does your tenure come to an end?**

**MHK:** Very soon. In August.

**DS: Do you hope to get re-appointed?**

**MHK:** There is no scope for that, because it is a Constitutional post and the Constitution provides for an auditor general to work up to the age of 60. Unless the constitution is amended, there is no scope for me to continue.

**DS: Have you enjoyed your stint as the CAG?**

**MHK:** I have enjoyed definitely. I have the satisfaction that I have been able to clear the backlog. This is a big job I believe I have done. I have introduced the concepts of value for money and issue-based audits. For example, the amount of money the government spends on teachers of non-government schools and colleges has not been audited... and how much money has been wasted in this area. These are the issues. That's why it is called issue-based audit. We select a particular issue and conduct audit and then submit reports.

**DS: What kind of audit is this issue-based audit -- financial, compliance or performance?**

**MHK:** You can call it compliance audit or performance audit or financial audit or bit of each.

**DS: After all these years in government and the last few years as the comptroller and auditor general, what would be your recommendation for the powers that be, not only the government but other organisations, to change the situation, to make a better and corruption-free society?**

**MHK:** I will show you one chart I have prepared for you anticipating this question. It's the chart of pillars of integrity. The CAG's office is meant for ensuring accountability and transparency that means it is one of the pillars to ensure national integrity. If you consider national integrity as a system, then there are a few pillars of integrity. Number one is political will, number two administrative reforms, number three ombudsman, then the parliament, public awareness, the judiciary, the media and the private sector. These are the pillars of national integrity system. So, if the society fails to attach due importance to national integrity, one of the pillars will suffer so the national integrity system suffers.

**DS: Have you got plans to enter politics?**

**MHK:** No, not at all.

**DS: Why?**

**MHK:** You can say it's my personal choice. I don't think there is any scope for people like us with principle in politics.

**DS: How do you respond to the idea of a ban on bureaucrats and military officers from joining politics within five years of retirement?**

**MHK:** There is a demand like this. I don't know. It has to be examined why this kind of demand is there. What harm has been caused by this kind of people (bureaucrat-turned-politicians).

**DS: When these officials know they are going to join politics they try to influence certain things which will help their political career. They even go out of their way to take such advantage.**

**MHK:** If that is true, then the ban should be there.

**DS: Let me give you an example. Just before retirement, a former air force chief was alleged to have been using his position...**

**MHK:** You know there have been serious charges against him.

**DS: What will happen to him? Has he been punished?**

**MHK:** The Public Accounts Committee will decide. The meeting that I told you about was expected to discuss this. I hope in the next meeting will discuss that...

**DS: When your officers come across corruption by the high and the mighty, can they handle it? Or do they come back to you?**

**MHK:** Sometimes they come back to me. I give them assurance, there is no problem, you go ahead. For example, in a particular case, my audit team was not allowed to do their work. I told them, you must go and conduct your audit. If again they create problem, I will go to the press.

**DS: Do you audit the accounts of the Prime Minister's Office?**

**MHK:** Yes.

**DS: Can the President instruct you to do audit into a particular account?**

**MHK:** Not exactly, he can advise. The prime minister can as well. Even the ministers can.

**DS: Can an ordinary citizen make such a request? Can one say 'Mr. CAG, I would like you to look into this particular account'?**

**MHK:** Yes. One can do that. For example, if you tell me that I have information about a particular person or an organisation, I will definitely look into that.

**DS: Thank you very much for your time.**