

# Strong CAG office a must to fight financial irregularities

*The comptroller and auditor general says they are trying to go for full automation*

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**T**HE Office of the Comptroller and Auditor General (OCAG) can help the government better fight financial irregularities involving taxpayer money if it is equipped with adequate workforce and administrative assistance.

The government spent Tk 115.66 crore in fiscal 2013-14 for the public spending watchdog. In return, it realised Tk 7,880 crore, meaning on average Tk 68 was realised or adjusted against every taka spent by the auditors.

"If the government spends more in order to strengthen the OCAG, it will be able to recover more money for the government, because there is a strong reason to believe that potential and high value financial irregularities are remaining hidden in the invoices not scrutinised by the auditors," said Comptroller and Auditor General Masud Ahmed.

"We are working to persuade the nation to spend wisely," he told The Daily Star in an interview recently.

The number of unsettled audit objections against 56 ministries and divisions is 853,314 involving Tk 615,606 crore, which is almost double the budget of the current fiscal year, Finance Minister AMA Muhith told parliament last month.

According to the minister, the audit objections remain unsettled for various reasons, including the executive branch not giving reply to the objections in time and inadequate workforce.

The OCAG is responsible for auditing government receipts and public spending and ascertaining



Masud Ahmed

whether expenditures have yielded value for money in government offices, public bodies and statutory organisations.

Alongside a traditional approach to carry out financial, compliance or regularity audits, the office is now conducting performance audit to determine efficiency and effectiveness in the management of public resources.

At present, the CAG office is tasked with auditing 22,431 offices, including all ministries and divisions and their field offices, all local authorities, statutory bodies, embassies, foreign

offices of the state-run banks and Bangladesh Biman and also the whole expenditure of the development budget.

Besides, it has to cover about 1.5 million government employees.

But with 4,000 auditors, the OCAG has to resort to sampling given the limited number of workforce and it could cover only 10-15 percent of the auditee units.

"Sampling is also a normal procedure in the developed world," Ahmed said.

The OCAG needs another 2,000 staff members to complete its tasks in

the next decade, he said.

The auditors particularly look into high value and risky organisations where they have reason to believe that financial expenditures are not taking place in a proper way.

"Our suspicion usually comes true," said Ahmed, who joined Bangladesh Civil Service in the audit and accounts cadre in 1981.

The constitutional body sent a proposal of a time-befitting manpower structure to the government nearly three years ago, which is still under consideration.

Ahmed said the lack of profession-

ally skilled people is posing a challenge for the OCAG, as the huge expenditure of the country is going up substantially every year.

"Every year the country sees growth in its development and revenue budgets, but the workforce at the OCAG doesn't increase accordingly."

There are problems on the auditees' side also -- audit observations are not always dealt with at the right time or properly.

"If they respond quickly with appropriate evidence, arguments and laws to back up their spending, some of the audit observations could be settled earlier, which will pave the way for recovering more money for the treasury."

"It will also lessen the workload for the auditors as well as for the auditees."

The OCAG has applied some new devices, computer software and methods to take care of the problems.

In recent years, the use of IT has gone up in government offices. As a result, the scope for the IT audit has also increased.

To keep pace with the auditees, the OCAG has created a core IT audit group.

"If we automate the OCAG and the bureaucracy, more tasks can be done with less people," Ahmed said.

The work of the OCAG has speeded up in recent years. "We are trying to go for full automation. The accounting system of the auditee organisations also requires to be automated."

He said supervision has been strengthened to ensure that the auditors conduct audits properly.

The OCAG has completed audits

up to fiscal 2012-13. It realised Tk 12,597 crore in the year, which was Tk 7,143 crore a year ago.

Ahmed, who passed honours and masters in English from Dhaka University and earned a post-graduate diploma in accounting from the University of Ulster, UK, took charge of the OCAG in April 2013.

The OCAG cannot compromise the quality of a report by issuing it in a hurried manner, although the amount of the expenditure is growing, he said.

"It takes time to recruit people. You just can't hire and send them to audit an organisation. You need to train and equip them."

He praised the parliament's public accounts committee for its support in helping recover more money and lower the number of unsettled observations of the OCAG.

He said money slipped through financial irregularities is recovered through due auditing process. "If one individual dodges it, he would surely be made to pay the money when he moves for obtaining pension."

Ahmed said the auditors do not face any outside pressure while conducting audits. However, his office gets "recommendations" while recruiting people.

Also a writer and vocalist, Ahmed said the scope of performance audit is gradually widening to ensure the quality of the public expenditure.

The World Bank and several other development partners are providing financial assistance to the OCAG to update its audit and accounting manuals, helping speed up its work.

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## Canon profit tumbles 20pc on weak camera demand

AFP, Tokyo

Japan's Canon said Monday that its net profit fell 20.5 percent in the first six months of the year as smartphones increasingly take a bite out of demand for digital cameras.

The photography and office equipment giant reported a 102.13 billion yen (\$830 million) profit for the January-June period, while operating profit fell 11.5 percent to 170.90 billion yen.

Sales ticked up 2.0 percent to 1.83 trillion yen from a year earlier.

"Demand for digital cameras with exchangeable lenses and compact cameras were both below the previous year's levels," the company said.

Canon also trimmed its full-year forecast to a net profit of 245 billion yen, down from an earlier 255 billion yen projection.

Annual sales are expected to come in at 3.93 trillion yen, up from 3.86 trillion expected earlier.

"The demand for multi-function printers are expected to keep growing moderately" later this year, it said.



REUTERS/FILE

Canon digital SLR camera EOS-1D X is displayed at a Canon showroom in Tokyo.

## Growth in eurozone private sector loans stagnates: ECB

AFP, Berlin

Loans to the private sector in the euro area, a gauge of economic health, increased slightly year-on-year in June, but only at the same pace as a month earlier, the European Central Bank said Monday.

The volume of loans to private businesses and households increased by 0.6 percent in June compared with the same month in 2014, the Frankfurt-based central bank said.

The long and deep financial crisis in the 19 countries that share the euro has squeezed lending, thus dampening economic activity.

But the ECB has launched a raft of policy measures to get credit flowing again and keeps a close eye on lending develop-

ments as a key factor in driving growth in the eurozone.

Last month, data showed that loans to the private sector in the euro area had begun growing again, suggesting the ECB's monetary policy was gradually working.

The overall eurozone money supply grew by five percent in June, the same rate as in May, the ECB said.

The latest figure was slightly below analysts' forecasts polled by financial services firm FactSet who had pencilled in an increase of 5.1 percent in June.

Howard Archer, of IHS Global Insight, said the data showed positive, if tentative, progress.

"Loans to the private sector are trending in the right direction, albeit gradually so far.

## Critics fear Pacific trade deal favours big business over states

AFP, Sydney

**W**ITH the end game in sight to what could be the world's most ambitious trade deal, critics fear a controversial mechanism to protect investors will strengthen the hand of big business while eroding national sovereignty.

The Trans-Pacific Partnership (TPP) -- a wide-ranging accord that would encompass 40 percent of the world's trade -- could be sealed in Hawaii this week after more than five years of talks.

The United States, the chief architect of the ambitious pact which takes in 11 other Pacific Rim countries, says it would loosen trade restrictions, drive jobs growth and encourage investment by strengthening legal protection for companies.

But critics say it favours multinational corporations over state interests and individual consumers, pointing in particular to a proposed investor-state dispute settlement (ISDS) mechanism that would allow foreign companies to sue governments, likely through international tribunals.

They warn ISDS cases might expose states to potentially huge liability claims -- a bigger risk for developing countries that do not have deep pockets -- and may also threaten their ability to introduce health and environmental laws.

That is a particular issue because there are several developing countries among the prospective members, which are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam.

"There are risks for all governments involved in the TPP in relation to the investor-state dispute settlement," Matthew Rimmer, an intellectual property expert at the Queensland University of Technology, told AFP.

"Under the regime, investors -- particularly multinational companies -- can bring actions against governments, but governments cannot bring actions against corporations."

"So it's a very one-sided regime and it can provide special rights to foreign investors that are not present for domestic investors."

The issue has become a particularly hot topic in Australia, which was sued by tobacco giant Philip Morris after it became the first country to introduce plain packaging laws for cigarettes in 2012.

Canberra refused to reveal its legal bill for defending the claim from Philip Morris, which argued the legislation breached a bilateral investment treaty.

The case, and broader concerns about ISDS processes, saw Australia's top judge Chief Justice Robert French warn last year that claims tribunals could undermine domestic legal jurisdictions.



REUTERS/FILE

A group of demonstrators is protesting the Trans-Pacific Partnership gather at the Federal Building in San Francisco, California.

Philip Morris' suing of Uruguay after the country ordered that the health warnings be larger on cigarette packets helped prompt billionaires Bill Gates and Michael Bloomberg to launch a fund to support developing states in their legal battles with tobacco giants.

On a global scale, the number of cases brought by companies against governments has been on the rise in recent years, according to figures from the United Nations Conference on Trade and Development (UNCTAD).

Out of 608 known cases brought between 1987 and 2014, more than a quarter of them were over the past three years, UNCTAD said, adding that confidentiality agreements meant there were likely more.

Of particular concern to ISDS opponents, less developed economies have aced a larger proportion of such suits, although the relative share of cases against developed countries is on the rise.

Meanwhile, most litigation was started by investors from developed countries -- particularly from the US, Canada and several European Union nations -- accounting for more than 80 percent of all claims.

Tim Harcourt, former chief economist at Australia's trade promotion body Austrade, said the ISDS was a "blunt instrument" to protect companies' interests.

"Giving international companies the right to sue countries left, right and centre is probably not the way to build those (free trade)

institutions," he told AFP.

"The way to protect investors is by building local institutions so they're transparent, and ultimately countries that don't have transparent institutions like Venezuela, people won't invest there."

Concerns have also been raised in the United States, including by influential Democratic Senator Elizabeth Warren.

"ISDS would allow foreign companies to challenge US laws -- and potentially to pick up huge payouts from taxpayers -- without ever stepping foot in a US court," she said.

But Alan Oxley, the first Australian to chair the General Agreement on Tariffs and Trade (GATT), the World Trade Organization's predecessor, said fears that the ISDS favours international business over governments were overblown.

He said an international arbitration tribunal would be an effective way to settle claims as it gave foreign investors an automatic right to appeal without government approval.

Australia's foreign affairs department has released a "myth versus realities" TPP document that stresses an ISDS tribunal "could not overturn domestic court decisions nor force Australia to change its laws".

"If you talk to anybody in business, they'll say that's a good idea, whereas the opposition is coming from quite a small fringe group," Oxley, who heads up the Australian APEC Study Centre at RMIT University, told AFP.