

6. FINANCIAL ADMINISTRATION

6.1. Introduction

6.1.1. This and the next two sections deal with the financial administration, accounting systems, and specific issues relating to accounting and financial control. This is in line with the requirements in the terms of reference, and also to deal with the various issues raised in the CORBEC Report. The linkages between budgeting, expenditure control and expenditure monitoring have been examined above in Section 3 on Financial Management and Reporting. Technical Paper No. 3 "Financial Administration" provides a more detailed description of the existing systems and structures.

Concern
Present state of
accounting system

Evidence
Substantial evidence
major problems

Conclusion
Extensive reforms
are required

6.1.2. In broad terms, we will conclude that there are indications of very serious problems with the current accounting systems and procedures. This is evidenced by *the failure to publish Appropriation Accounts since 1987/88*, the fact that in, for example, July 1992 *the balance according to the Bangladesh Bank differed from that of the Controller General of Accounts by Taka 5.2 billion (approximately \$132m.)*, and the fact that in general *the IMED monitoring system is regarded as producing more reliable data on the finances of projects than the accounting system*. The starting point therefore must be that considerable improvement must be achieved in the scope, reliability and promptness of the accounting system for it to become a suitable basis for a system of effective financial management and reporting.

6.1.3. Because of the volume of information and issues relating to these three areas, the presentation in these three sections differs from other sections. A brief review of the major problems is followed by a matrix summarising the issues. This then leads into our recommendations, and then as with other sections, a matrix of the major strategies.

6.1.4. In order to achieve effective accounting and expenditure control it is important to have a strong administrative structure where financial responsibilities are clearly defined and documented in rules and regulations. A concept that is gaining increasing acceptance is that within the Rules, Regulations and Manuals there should be clearly defined accounting standards to be followed in recording transactions and presenting financial statements.

6.1.5. This section of the report deals with the existing structure, the functions of audit and accounts including the duality of responsibility that exists and previous attempts at separation, departmentalisation of accounts which is the delegation of accounting and financial control to Ministries/Divisions, decentralisation of the responsibilities for certain initial accounting to Districts and Thanas and the rules and regulations needed for day to day operation.

6.2. Institutional Structure

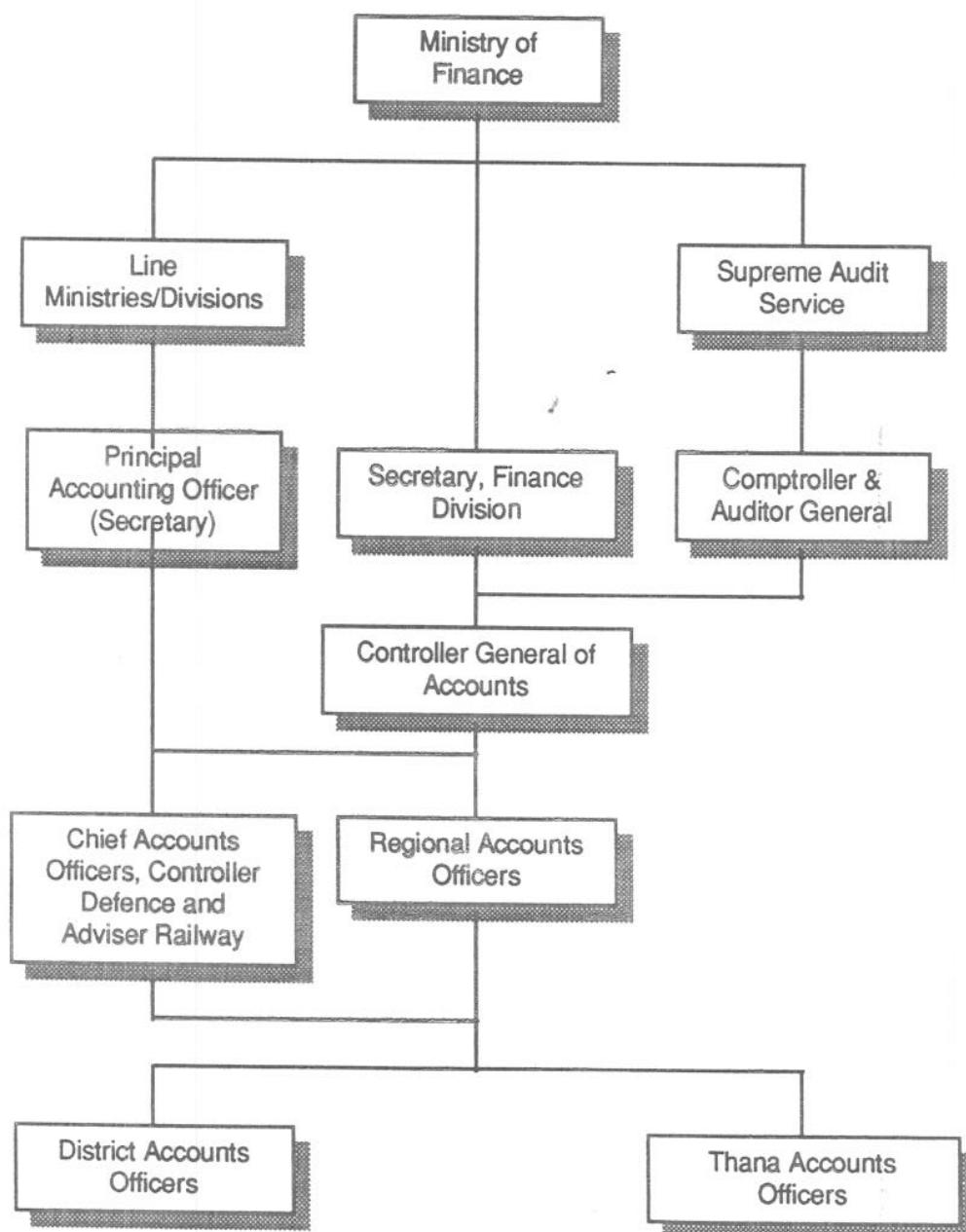
6.2.1. Much of the present financial administrative structure in Bangladesh dates back more than 100 years, thus proving to have been extremely robust. It was designed, however, when the volume of transactions was much smaller and simpler, especially with regard to development programmes and the raising of funds to finance them.

6.2.2. Though the Finance Division, Ministry of Finance, has the ultimate overall responsibility for financial administration and expenditure control, under the Constitution of Bangladesh it is the Comptroller and Auditor General who has been made responsible, with the approval of the President, for the form and manner of keeping Government Accounts.

6.2.3. The Constitution also gives the Government the power to require by law that the Comptroller and Auditor General exercises such functions, in addition to the auditing and reporting functions specified, as such law may prescribe. He has been given certain specific accounting tasks under this provision by the Comptroller and Auditor General (Additional Functions) Act, 1974. These tasks include the preparation of the Annual Finance Account and the Annual Appropriation Accounts.

6.2.4. The diagram below summarises the existing institutions dealing with financial administration.

Figure 12: existing institutional structure of financial administration



Note the dual lines of responsibility.

6.3. Accounting and Auditing Functions

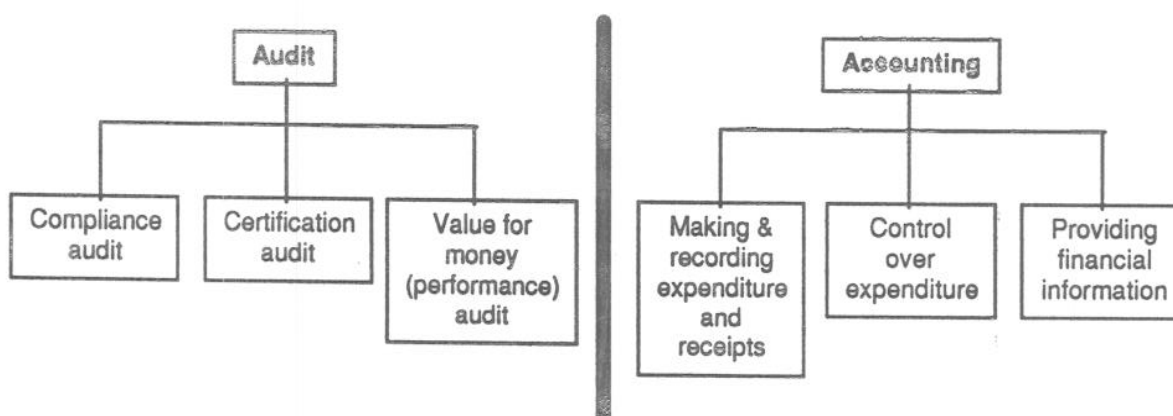
6.3.1. The Constitution, Acts of Parliament, Rules and Regulations contained in different publications of the Government together with instructions issued from time to time provide the framework for financial administration including budgeting, accounting and certain audit functions.

6.3.2. As would be expected, the allocation of business among the Ministries gives the Finance Division of the Ministry of Finance the responsibility for the finances of the Government but this does not include the statutory audit functions where the Comptroller and Auditor General's powers are conferred directly by the Constitution.

6.3.3. The Ministry of Finance presents the budget to the Parliament but the Comptroller and Auditor General prepares and submits the Finance Accounts, the Appropriation Accounts and audit reports each year to the President, who lays them before Parliament. These are dealt with on behalf of Parliament through standing committees. These include the Public Accounts Committee, the Estimates Committee and the Public Undertakings Committee.

6.3.4. The combination of audit and accounting functions and responsibilities is unusual in the world today, though still fairly common in the South Asia Region. Not only should the roles be distinct, but an important audit function involves certifying the accounts. This requires an independence which is impossible to achieve where there is no separation.

Figure 13: theoretical division between auditing and accounting



6.4. Separation of Accounts and Audit

6.4.1. In Bangladesh there has been some separation of functions and responsibilities. In 1984 a new post of Controller General of Accounts was created with functional responsibility to the Finance Division, Ministry of Finance, for the maintenance and compilation of Government accounts. His responsibilities also included the District and Thana (previously Upazila) accounts offices that were created from the former treasuries. Though the accounting function was in theory thus separated from audit, the Controller General of Accounts remains part of the Comptroller and Auditor General's office for administrative purposes. Also, as mentioned earlier, the Annual Accounts prepared by the Controller General of Accounts are presented to Parliament by the Comptroller and Auditor General.

6.4.2. This duality of responsibility and lack of clear dividing lines between the allocation of auditing and accounting functions could be a contributing factor to the ineffectiveness of both. This is illustrated by the absence of published audited accounts for more than 5 years.

6.4.3. An example of an existing anomalous situation is that a computer payroll system is being developed in the Comptroller and Auditor General's office and not in the Controller General of Accounts' office as would be expected with the separation of functions.

6.4.4. A problem to be faced if the Comptroller and Auditor General and the Controller General of Accounts were completely separated administratively would be the position of accounting personnel. These are presently members of the Audit and Accounts Cadre, from which they are reluctant to be separated. A solution would be to keep the one Audit and Accounts Cadre with the personnel working where necessary on deputation. This is a system in use throughout Government that appears to work well.

6.5. Departmentalisation of Accounts to Line Ministries

6.5.1. Departmentalisation in Bangladesh means making the Secretaries of each Ministry/Division of Government responsible for their own accounting and financial control. Secretaries are administrative heads of the Ministries/Divisions and also designated as the Principal Accounting Officers. Hence in theory they already have this responsibility, but in practice financial control has historically been centralised under Controller General of Accounts. Departmentalisation is also seen to involve the giving of authority for cheque writing without pre-audit (the checking of each bill for payment by an officer of the Comptroller and Auditor General's office). Under Departmentalisation, pre-audit would be performed by accounting personnel of the Ministry/Division as part of the system of internal control.

6.5.2. In the early 1980s a process of Departmentalisation was initiated. This had the additional objective of separating accounts and audit work. Posts of Chief Accounting Officers were created, each responsible to one or more Principal Accounting Officers for the accounting functions of the respective Ministries/Divisions.

6.5.3. Whilst the initial accounts of the Ministry/Division, known as the "presidency accounts" were to be compiled by the Chief Accounts Officer the responsibility for the consolidated accounts, which incorporate transactions for the Ministry/Division originating from District and Thana Accounts Offices, was given to the Controller General of Accounts who in theory had been made responsible to the Finance Division, Ministry of Finance.

6.5.4. This accounting anomaly, with the splitting of responsibility for compiling accounts, was confused further by the fact that the Chief Accounts Officers, though appointed and allocated to Ministries/Divisions or groups of Ministries/Divisions, were made operationally subject to supervision from the Controller General of Accounts yet remained on the establishment of the Comptroller and Auditor General. That is where they appear for budgeting and accounting even though their Confidential Annual Reports are prepared by their respective Principal Accounting Officers. All of this sounds confusing and is confusing, especially to the people involved as there are no clear lines of responsibility. It explains the dual lines of responsibility in the diagram of accounting responsibilities, above.

6.5.5. The position within the Ministry/Division is further complicated by the fact that for budgeting, accounting and financial control purposes, the Principal Accounting Officer (Secretary of the Ministry/Division) does not appear within either the budget or accounts of the Ministry/Division that he is part of and for which he has responsibility. Instead he is included within the budget and accounts of the Ministry of Establishment.

6.5.6. It is concluded that though a process of Departmentalisation has been initiated it has not been properly and fully implemented. Consequently, the organisation structure of the Ministries/Divisions is fragmented and subject to different controls, and is budgeted and accounted for in totally separate unrelated pockets. The present structure is not conducive to the establishment of effective financial management and control within the unit for which each Principal Accounting Officer is responsible.

6.6. Decentralisation of Accounts to Districts, Thanas and Regions

6.6.1. In Bangladesh Decentralisation means accounting for receipts and payments and compiling the accounts in the District and Thana (formerly Upazila) Accounts Offices, i.e. it is a physical decentralisation. In Bangladesh there are 400 Thanas and 64 Districts, and these also form the basis of a decentralised administrative structure developed by earlier Governments. For accounting purposes there are also Regional Accounts Offices which consolidate the accounts received from the District and Thana offices for onward transmission to the Controller General of Accounts. Regional Offices have no role in the general administrative structure.

6.6.2. The Controller General of Accounts is responsible for these subordinate offices. Though this functional responsibility exists, both District and Thana Accounts Officers work under the day to day supervision of their respective District and Thana Chief Executives. This does not present a problem.

6.6.3. Traditionally, accounting personnel at these levels would have received some short formal classroom training and then subsequently obtained further skills by on the job learning, but this practice appears to have fallen into disuse. With Decentralisation and Thana Accounts offices in particular being established in a short space of time, many of these were staffed by inexperienced and untrained persons (see Section 10 on Training). This has compounded the problems of accounting mis-allocations, ineffective controls and the late submission of compiled accounts.

6.6.4. In any organisation the timely flow of data from the offices maintaining primary accounts is essential. However, in Thana, District and Regional offices, the accounts work is done manually with little use of mechanical aids, not even adding machines that list. There is an obvious need for improvement but the ability to introduce modern technology such as computers into these offices would be severely restricted by the lack of a constant electricity supply, reliable telecommunications and the right type of physical working environment.

6.6.5. In most of the offices visited the working environment was unsatisfactory. A contributing factor was the lack of proper storage facilities for records. There was a complete absence of separate storage rooms with racking and in daily work rooms there were few filing cabinets for current documents and records. In some cases, mainly at District offices, the external environment was also poor, with the offices resembling street bazaars with uncleared rubbish heaps.

6.6.6. The 400 Thana Accounts offices and 64 District Accounts offices all send monthly accounts to the 20 Regional Accounts offices for consolidation and onward transmission to the Controller General of Accounts. It is our conclusion that the Regional Accounts offices create an unnecessary extra layer in the flow of work. If Regional offices were dispensed with, and consolidation carried out at Districts, a more timely flow of work would result. Furthermore, if the accounts needed by the Chief Accounts Officers in Ministries/Divisions, for inclusion with their "presidency accounts" to produce consolidated accounts, were sent direct as well as, or instead of, to the Controller General of Accounts then even further benefits could result.

6.6.7. It is concluded that the existing organisation structure for Decentralisation of accounts to Districts, Thanas and Regions is inhibiting the timely and accurate flow of accounting data.

6.7. Financial Rules, Regulations and Compliance

6.7.1. Rules and Regulations form the basis for the operation of the financial administration. In Bangladesh the rules, regulations, codes and manuals date back some 60 years to the pre-independence period. Generally they are out of date; in some instances where extensive changes have taken place these have only been recorded in circulars. In many cases even out of date reprints are no longer available. This means that *many accounting offices do not have copies of the relevant rules and regulations.*

6.7.2. To get a complete up to date set of these rules is almost an impossibility, unless a conscientious officer can be found who has perhaps maintained personal copies.

6.7.3. Even where new instructions have been issued in the form of circulars, they are frequently ignored, misunderstood and simply lost. Examples are the circulars on fund release procedures issued each year and a 1991 circular about the operation of convertible taka accounts. Despite these circulars, the proper year end adjustment accounting entries for fund releases are not being made and for the convertible taka accounts the monthly and annual reporting systems for making accounting entries are generally being ignored.

6.7.4. It is concluded that the deficiencies concerning rules, regulations and manuals are contributing to the breakdown in accounting systems and expenditure control.

6.7.5. The other aspect concerning rules and regulations is compliance. The ability for employees to make mistakes either accidentally or even deliberately has to be minimised by effective systems of internal control. In Bangladesh because systems are not clearly spelt out in rules, regulations and manuals that are readily available it is difficult to even consider what sanctions could be applied to enforce compliance. By the time accounts and audit reports, which are years in arrears, are submitted to the Public Accounts Committee, which has certain powers to issue sanctions against offending officers, such recommendations would most likely be meaningless. The officers have probably long since moved on to other duties, especially with a 3 year rotation system, and in some cases could even be dead. The result is that serious financial mismanagement is either condoned or ignored.

6.8. Accounting standards

6.8.1. Accounting standards provide definitions of the accounting policies that should be adopted for the treatment of specific categories of transactions. The concept derives from commercial accounting, where the need has been recognised to prescribe standards for commercial entities in the presentation of their accounts. In Bangladesh, the Institute of Chartered Accountants has embarked on a programme of setting standards based on those issued by the International Accounting Standards Committee, on body on which Bangladesh is represented.

6.8.2. The situation in Government is somewhat different because there is only one reporting entity - the Government itself. Nevertheless, it is being increasingly recognised that the definition of such accounting standards as a distinct component within the Rules and Regulations is a valuable exercise, in that they: (i) require formal decisions on the accounting basis to be adopted; (ii) ensure consistency of accounting treatment between different government activities; (iii) identify in one place the policies that are being followed; (iv) provide a basis for deciding how to treat transactions of a new type which emerge from time to time.

6.8.3. There are now a number of models of Government Accounting Standards, specifically the USA, New Zealand and Australia. Accounting Standards should cover such issues as:

- 1 **Basis of accounting** - the modified accrual system, and how this is defined for such matters as capturing expenses and income, year end cut off, stocks and capital assets
- 2 **Definitions**, e.g. capital and revenue expenditure
- 3 **Basis for bringing items into accounts**, e.g. project disbursement in kind, transactions of Autonomous Bodies, loan guarantees, food account
- 4 **Rules for placing monetary values on items**, e.g. consumption of stock from a supply purchased at different prices, valuation of food donations, valuation of other grants

- 5 **Rules for specific problems**, e.g. treatment IMF subscriptions, whether temporary loans flows should be shown gross or net, linkage with memorandum accrual accounts for trading operations

6.9. Summary of Issues

No.	Issue
1	<p><u>Separation of Accounts and Audit</u></p> <p>(1) failure to establish clearly the separate roles of Controller General of Accounts and the Comptroller and Auditor General, including legislation amendments</p> <p>(2) should both audit and accounts personnel belong to a common Audit and Accounts Cadre under the control of the Comptroller and Auditor General?</p>
2	<p><u>Departmentalisation of Accounts to Line Ministries</u></p> <p>the failure to complete of the Departmentalisation process started in the early 1980s;</p>
3	<p><u>Decentralisation of Accounts to Districts Thanas and Regions:-</u></p> <p>(1) the need to change the existing organisation structure so as to improve the accuracy of the work and achieve a more timely flow of accounts to central offices;</p> <p>(2) in the short term the use of simple mechanical aids to speed up the manual production of accounts and improve accuracy and long term the introduction of computers; and</p> <p>(3) the improvement of the environmental conditions at the offices so as to facilitate computerisation .</p>
3	<p><u>Financial Rules. Regulation and Compliance:-</u></p> <p>(1) the terminology, format, language, and allocation of responsibility for custody;</p> <p>(2) system for the introduction of new rules and regulations and responsibility for subsequent updating; and</p> <p>(3) weaknesses in existing systems whereby errors of non-compliance with rules and procedures go unpunished</p>
4	<p><u>Accounting standards</u></p> <p>the lack of accounting standards relating to such matters as the basis of accounting, definitions of revenue and capital, treatment of food accounts, and so on.</p>

6.10. Conclusions and Recommendations

Separation of Accounts From Audit

6.10.1. Circulars issued in 1985 made the Controller General of Accounts responsible for the accounts under the Finance Division, Ministry of Finance; however, under the constitution and legislation it is still the Comptroller and Auditor General who has the ultimate accounting responsibility. This anomalous situation should be resolved by completing formally the separation of accounts from audit. This will achieve the necessary independence of audit and to minimise the duality of responsibility that exists for both the Controller General of Accounts and the Chief Accounts Officers. This will involve specifying clearly in legislation, financial rules and regulations, manuals and circulars the distinct roles of the Controller General of Accounts and the Comptroller and Auditor General.

6.10.2. To achieve this will mean a fresh look at the legislation to see whether existing provisions can be used. For expediency, it may be possible to use the 1983 amendment of the Comptroller and Auditor General (Additional Functions) Act, 1974, which provides that "the Government may, subject to such conditions as may be specified therein, direct that all or any provisions of this Act shall not apply in respect of such Ministry, Division or Office of the Government as it may specify" along with the deletion of certain sections of the Act itself. However, a cause for concern is whether this approach would have the necessary impact and authority that is needed to settle once and for all the separation of accounts and audit.

6.10.3. Therefore, it is recommended that whilst the Government should initiate the longer term process for a new piece of legislation, which could be called the Financial Control and Management Act, specifying clearly who is responsible for accounting functions and related matters. It should be noted that this new Act would also have relevance to recommendations in respect of new rules and regulations elsewhere in this report. Appropriate changes to the constitution are also needed.

Recommendation

31 Accounts and audit should be formally separated. In the short term this may be achieved through existing legislation, but in the longer term a new Financial Control and Management Act will be required, together with constitutional changes.

6.10.4. It will also be important that the Controller General of Accounts and all staff made responsible to him are administered, budgeted and accounted for as accounting personnel instead of being included with the Comptroller and Auditor General's office for these purposes, as they are at present. The Controller General of Accounts and his direct personnel (including Thana and District Accounts officers) should be part of the Finance Division. Chief Accounts Officers should be budgeted under their line Ministries. However, to avoid staffing disruptions the cadre structure that is currently applicable to both accounts and audit should be retained with personnel working on deputation where necessary. This is a system which already appears to work well within the Government.

Recommendation

32 The CGA and personnel under him should be included within the budget of the Finance Division. CAOs should be included within the budget of the line Ministries. However, the Audit and Accounts Cadre should be retained for both audit and accounts.

6.10.5. Pre-audit for payments should be kept but instead of the bill being checked by an officer of the Comptroller and Auditor General's office before payment is made, the work would simply become part of the process of internal check within the accounting system.

Recommendation**33 Pre-audit should become the responsibility of the line Ministries***Departmentalisation to Line Ministries*

6.10.6. Departmentalisation should now be completed in a planned manner. There should be a Chief Accounts Officer, as previously stated in a 1985 instruction, responsible to the Principal Accounting Officer of the Ministry/Division with whom he and his staff would be included for budgeting and accounting purposes. It is also desirable that they be placed physically in the same offices as the Principal Accounting Officer, so as to bring about the feeling of belonging.

6.10.7. At present some Ministries/Divisions share a Chief Accounts Officer. In future each Ministry/Division should have its own Chief Accounts Officer. Sharing creates divided responsibility with consequential confusion and unnecessary complications. Naturally the grading of the officers should be related to the size of the Ministry. An incidental advantage is that this would help to dispel the fears of job losses, as personnel could see areas where actual increases would occur.

6.10.8. The function of Chief Accounts Officers would be substantially broadened. They would be responsible to their Principal Accounting Officers for financial management within the Ministry. This would involve working with officers of the ministry to develop the latter's understanding of the role of financial management, and designing and presenting intelligible financial reports.. They would also become advisers to their respective Principal Accounting Officers on budgeting and planning matters⁴. Finally they would be responsible for internal audit within each Ministry.

6.10.9. These changes are linked to the computerisation proposals to introduce a distributed computerisation system with each CAO being provided as an interim measure with a small network to consolidate the results for his ministry, and later to take over completely the accounting functions for his Ministry.

6.10.10. Because of the importance of status, the CAO will require appropriate status within the hierarchical structure of line Ministries and Divisions. Joint Secretary Level is suggested. The CAO will be administratively responsible to the Secretary of the Ministry/Division to which they are assigned. However, they will retain a functional responsibility on technical matters to the CAO. This is analogous to any technical person, e.g. a Doctor, who is assigned to a line Ministry, but would look to the Ministry of Health and the Chief Medical Officer for guidance on medical matters.

Recommendation**34 Every Ministry and Division should have a Chief Accounting Officer, responsible to the Principal Accounting Officer for developing a system of financial management. The change will not absolve the CAO from his functional responsibility to the CGA.**

6.10.11. For budget purposes, the Secretariats of line Ministries should be included within the costs of their respective Ministries. This contrasts with the present position where they are all included within the costs of the Ministry of Establishment. This change will provide more meaningful information on resource allocations to each Ministry. Though this is recommended, it is accepted that it may not be the way in which the Bangladesh Government wishes to show these costs.

Recommendation**35 The Secretariats of Ministries should be included within the budget of that Ministry**

⁴ This is a reversion to an earlier concept of financial advisers. This system is in use in India with some success.

6.10.12. Those accounting personnel in Ministries/Divisions, who are not included as part of the Chief Accounts Officers' staff but whose work involves budgeting and the keeping of subsidiary accounts should be given equal training and promotion opportunities, thus strengthening accounting throughout Government. This is dealt with further in Section 10 on training.

Decentralisation of Accounts to Districts, Thanas and Regions

6.10.13. The work of Districts, Thanas and Regions should be reorganised to achieve a more timely and accurate production and flow of accounting data for consolidation into the Government's accounts. The ultimate objective is to make the District Accounts offices the main accounting centres with responsibility for compiling their own accounts for transmission direct to the Chief Accounts Officers of Ministries/Divisions, as well as the Controller General of Accounts.

6.10.14. Whilst it has been suggested that some or even all of the work at Thana level could be transferred to Districts, the accounting requirements for servicing the administrative structure of the Government at this grass roots level and the need to give a satisfactory service to the public cannot be ignored. To dispense with these offices completely could cause much dissatisfaction among both staff and public. Therefore, it is proposed that Thana accounts offices be retained as sub-treasuries to the Districts.

Recommendation

36 Thanas should become sub-offices of Districts, with the compilation of accounts for transmission to the CGA and CAOs being done by the DAOs.

6.10.15. Making the Districts responsible for compiling their own accounts and those of the Thana sub-treasuries would mean that for accounting work the Regions could be dispensed with. However, apart from their current audit functions, they do at present give, when needed, accounting advice to Districts and Thanas as well as providing a link between the District and Thana Accounts Offices and the Controller General of Accounts. It is considered that some form of financial administrative set up will be needed to fill this gap. Thus, it is proposed that there should be a new Accounts Office in each of the 5 Administrative Divisional areas of the Government with responsibility for the supervision of the District Accounts Offices and their sub-treasuries. They would also become the focus for regional training. These offices would not be responsible for any intermediate compilation of accounts.

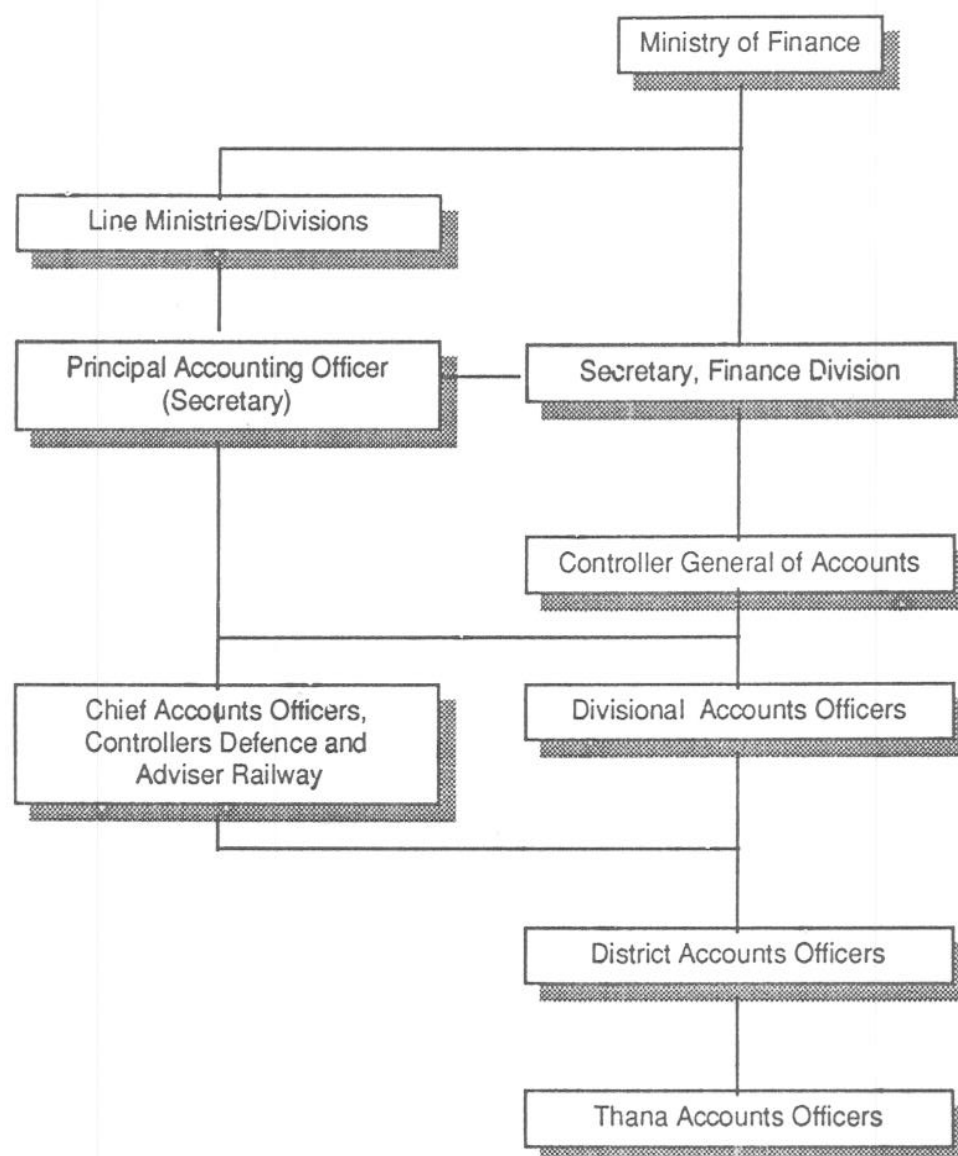
Recommendation

37 Regional offices should be dispensed with, but new Divisional offices established for training and support (but not compilation of accounts)

6.10.16. For all these changes a pragmatic approach is needed. A pilot scheme should be adopted introducing the proposed restructuring in one or two existing Regions. Preferably, new office accommodation should be provided for the upgraded District Accounts Offices. Premises with proper storage facilities for records and an environment that will be suitable for introducing a further pilot scheme for computerisation are considered desirable but not absolutely essential. The longer term computerisation objective should be to link these offices to a centralised computerised accounting system with automatic transmission of data to the Controller General of Accounts and the Chief Accounts Officers in Ministries/Divisions.

6.10.17. The diagram below shows the revised institutional organisation structure, excluding the Comptroller and Auditor General, for financial administration that would result from the adoption of these reforms.

Figure 14: proposed revised financial administrative structure

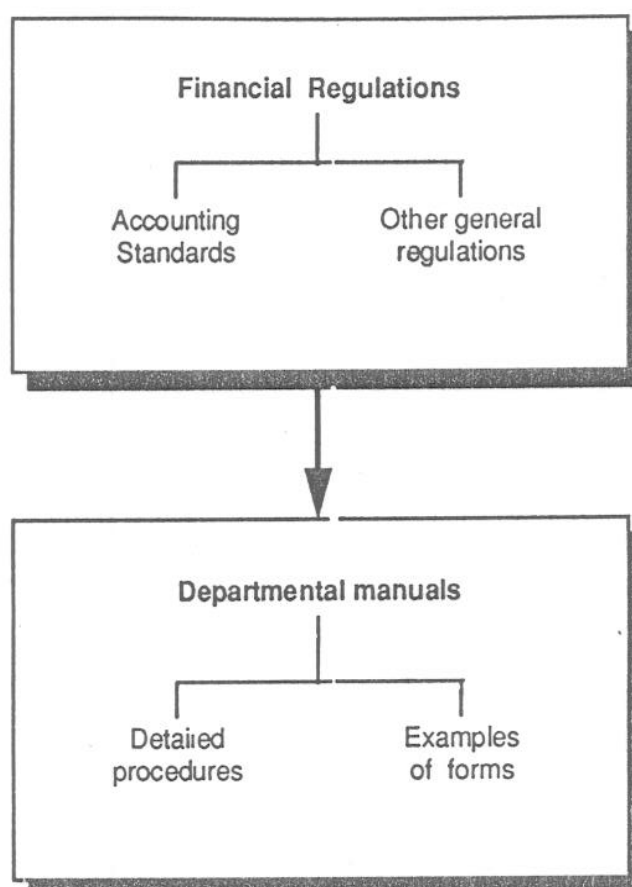


Rules, Regulations and Compliance

6.10.18. It is recommended that a new format be devised for rules and regulations based on the enabling financial legislation. New terminology should be used instead of the old format of Treasury Rules and Account Codes, thus clearly distinguishing the old from the new. A new set of "Financial Regulations" should be introduced providing broad guidance, followed by "Departmental Manuals" setting out the detailed procedures and incorporating specimens of forms to be used. The Financial Regulations should include a statement of Government Accounting Standards.

6.10.19. This format provides a hierarchical structure, with the broad rules which vary only occasionally being prescribed centrally by Government, but the detailed operating procedures and forms prescribed at departmental level and therefore more flexible.

Figure 15: hierarchical structure of rules and regulations

**Recommendation**

38 Rules and regulations should be replaced by a hierarchical structure of new Financial Regulations, including accounting standards, and Departmental Manuals of procedures.

6.10.20. These should be produced in a loose leaf binder format for ease of updating. This will also give the means of equipping many users simply with the sections they need for everyday use. All should be in Bangla, thus meeting the need of the users. It is desirable that copies are also available in English, if only so that foreign aid donors can follow what should happen with regard to finance.

6.10.21. Ideally the production of new regulations and manuals should be phased in line with the reforms programme. As new systems are introduced so the accompanying regulations and manuals should be compiled and introduced, with the final output being a compendium of these. The loose leaf format will facilitate, greatly, this process. However, for much of the work, interim rules and regulations are urgently needed whilst the reforms programme is being implemented. For example, the accounting procedures at Districts and Thanas should be updated forthwith. Thus a priority will be to set up an interim system to update and distribute those rules and regulations that are still relevant to present needs.

6.10.22. In order to achieve this, it will be essential to establish within Finance Division a special unit, which will need to be equipped with appropriate desk top publishing technology to be able to produce in English and then translate into the Bangla medium copy ready for printing. Resources must be made available for the printing costs, and also for the new system of loose leaf binders. Furthermore, ongoing resources need to be made available to ensure that supplements are produced and issued using a database of recipient offices (see below), and from time to time complete new copies are produced and printed. Consideration should be given to the creation of a separate budgetary control monitoring unit within the Finance Division, which could then also be given the responsibility for updating financial regulations and manuals.

Recommendation

39 A unit is established in Finance Division suitably resourced to be able to update and print the new regulations in adequate quantities, and subsequently to maintain them.

6.10.23. All regulations and manuals should belong to the various Government offices which use them and not the officers. This should ensure both better continuity with updating and availability to the users. Also, inventories should be kept of all regulations and manuals held in offices and handing over certificates should be completed when staff change. The unit responsible for the maintenance of the rules and regulations will need to keep a database register of offices holding copies, so that updating supplements can be issued.

Recommendation

40 Rules and regulations should be held by offices not individuals, with a centralised database and handing over certificates

6.10.24. It is recommended that only when the Government has managed to introduce effective remedial action to the overall systems of financial control, including legislation, regulations and manuals, can proper attention be given to a review of penalties for non-compliance.

Recommendation

41 When the Government has completed other actions to implement financial control, action should be taken to enforce a system of penalties for non-compliance.

6.11. Summary of strategies

No.	Strategy	Comment
10	Accounting and auditing should be formally and legally separated	The separation of accounting and auditing needs to be formalised by the passing of legislation, including necessary constitutional changes
11	Departmentalisation should be completed in a planned manner	All Ministries/Divisions should have CAOs, should be responsible for their own pre-audit and eventually take over accounting functions
12	CAOs should become responsible to PAO for financial management in their Ministry	This is an extension of the role of CAOs, so they become responsible not only for accounting, but also for all aspects of financial management including budgeting. This is linked to the distributed computer system being proposed
13	Thanas should become sub-treasuries under districts, regional offices closed, and support offices established in Administrative Divisions	Districts will consolidate data and submit directly to CGA and CAOs. Divisions become accounting support points. The new Divisional offices will act as support and training centres
14	A unit in Finance Division is established to update rules, regulations and accounting standards and issue in loose leaf format	Rules will be organised in hierarchical format, with Financial Regulations incorporating accounting standards, and departmental procedures. A special unit will be equipped with desk top publishing technology to produce the manuals in Bangla in loose leaf format