

Sub- Theme 2 : The Challenges for Ensuring Transparency and Accountability in  
Specific Areas of Public Financial Management

**Accountability and Transparency in Public Procurement**

**Country Paper Outline and Abstract– SAI Bangladesh**

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- Authors: 1. **Ahmed Ataul Hakeem**  
Comptroller and Auditor General  
ataul.hakeem@cag.org.bd
2. **Mohammad Moslem Uddin**  
Director General  
Works Audit Directorate  
moslemuddin57@yahoo.com

Procurement as a category involves the largest volume of expenditure in the annual development budget of Bangladesh. It is also the second largest category of expenditure in the revenue budget of the government. And the size of Public Procurement in Bangladesh is steadily increasing every year. About 75% of development budget and 25% of revenue budget of the govt. are spent on public procurement. Major areas of public procurement are construction, civil works, infrastructure, machineries and equipments, consultancy services, food grains etc. Realizing the importance of public procurement in the national economy, the office of the Comptroller and Auditor General of Bangladesh (OCAG, Bangladesh) puts particular emphasis on the audit of procurement to ensure that transparency and accountability exists at all stages of the procurement process. This paper will focus mainly on matters related to public procurement regulations and legislation, procurement method, audit objectives, .audit procedures and audit findings. The paper will also reflect on the launching of electronic government procurement (e-GP) process in Bangladesh and the Challenges ahead in procurement auditing.

**(1) The Public Procurement Regime in Bangladesh**

This section will cover an analysis of the chronology of changes in public procurement regulations. Two principal legal instruments to handle public procurement in Bangladesh are the Public Procurement Act, 2006 (PPA, 2006) and the Public Procurement Rules, 2008 (PPR, 2008). Earlier, the Public Procurement Regulations, 2003( PPR, 2003) provided a unified procurement processing system. The procurement practices followed until the issue of regulations dated back to 1930s when the ‘Manual of Office Procedure (Purchase)’ was first issued and amended last in 1977. With the enactment of the PPA, 2006, more transparent and accountable procedures were introduced. PPR- 2008, framed under the act, is a complete document for public procurement that provides scope for procurement under different methods. The government has, of late, amended some provisions of the act and the rules for facilitating the speedy implementation of the Annual Development Programme(ADP).

(2) **The Public Procurement Method and Process in Bangladesh**

In the procurement of goods and services, Open Tendering Method (OTM) is the preferred method of procurement. Other methods of procurement like Limited Tendering Method (LTM), Direct procurement Method (DPM), Two-Stage Tendering Method(TTM), and Request for Quotations Method(RQM) may be resorted to under certain conditions. The country paper intends to briefly discuss the methods of procurement to facilitate the understanding of major audit findings which will be discussed in this paper.

(3) **OCAG Bangladesh audit objectives for audit of public procurement**

The objectives of public procurement auditing are (1) to ascertain whether the process of acquiring goods and services ensures quality, quantity, accurate time, right price and right source and (2) to ensure whether the objective with which the procurement of goods and services is made has been accomplished. This involves examination and assessment of requirements, placement of purchase orders, storage, consumption, utilization and cost recovery. It is essential to ascertain whether public procurement of goods and services were made through the most competitive rates and whether value for money has been ensured. In this process, risks and control techniques are identified.

(4) **OCAG Bangladesh audit Procedures for audit of public procurement**

This section will cover the OCAG initiatives in auditing public procurement based on its audit mandates. While conducting audit of public procurement, the OCAG Bangladesh follows certain audit procedures. For every contract, executed under the public procurement rules, audit checks that: i)Adequate publicity and time have been allowed for the prospective bidders to respond, examine advertising channel used and time allowed at every stage of the procurement cycle; .ii)Bidding documents clearly define the bid evaluation criteria and the factors that will be taken into account for selection of the lowest evaluated bid; iii) bids are opened in public, read aloud, recorded, no change in substance or price allowed; iv)contract has been awarded to the bidder whose bid has been determined substantially responsive and offered the lowest evaluated cost. The country paper will be designed to focus on only important audit procedures.

(5) **Recent important audit findings on procurement**

This section will highlight recent important audit findings relating to public procurement. Major audit findings include non compliance with procurement rules and regulations, excess expenditure due to acceptance of tender at a higher price as compared to the estimated cost, acceptance of tender at a much lower cost than the estimated price resulting in the failure of the bidder to deliver goods, non-realization of tax and VAT, awarding contract without tender, procurement of goods through splitting up the contract in order to avoid sanction of higher authority, advertisement is not published in the web site of the Central Procurement Technical Unit (CPTU) etc.

(6) **Public Accounts Committee deliberations on OCAG Audit Reports on Public Procurement**

In accordance with Article 132 of the Constitution, the Comptroller and Auditor General submits audit reports to the Hon'ble President of the Republic who causes them to be laid before the Parliament. These reports are later discussed by the Public Accounts Committee (PAC) of the Parliament. The country paper intends to focus on key PAC deliberations on OCAG audit reports on public procurement.

(7) **Electronic Government Procurement (e- GP) in Bangladesh**

The introduction of e-government procurement (e-GP) on a limited scale is a welcome step towards a more transparent and accountable procurement system in line with the government vision for building a 'Digital Bangladesh'. Under the process, all procedures including registration, tender invitation, submission, tender opening, evaluation, approval and work order would be completed online.

(8) **Challenges in the audit of Public Procurement**

The paper intends to make an analysis of the challenges associated with audit of public procurement. One of the major challenges in auditing public procurement has been the existence of both PPR as well as the earlier regulations in certain areas. Advantages of either PPR or other regulations are taken depending on situations that bring in maximum benefit. On the other hand, auditing of public procurement requires a thorough understanding of the regulations and procedures involved. With the introduction of e- government procurement, auditing techniques have to be more IT based.

Public Procurement Auditing is one of the most effective instruments of ensuring transparency and accountability in public procurement system and practice in Bangladesh. It is the constitutional obligation of the OCAG to ascertain to what extent the Public Procurement activities of the government have adhered to the laid down Public Procurement policies, guidelines, rules and practice and also to what extent they have brought in desired benefits. The OCAG Bangladesh has been striving hard towards fulfilling this constitutional obligation, thus ensuring maximum dividends for all the stake holders.

**References:**

- 1) Public Procurement Act, 2006, Ministry of Law, Justice and Parliamentary Affairs, Government of the People's Republic of Bangladesh, July, 2008
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- 3) The procedures for implementation of The Public Procurement Regulations 2003, IMED, Government of the People's Republic of Bangladesh, March 2004
- 4) Project Audit Manual, Office of the Comptroller and Auditor General of Bangladesh