

Financial Administration and Governmental Accounting Systems in Bangladesh: An Analysis

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Abstract: *Study of financial administration and government accounting system is very necessary to establish a just society According to Motahar Hussain (1994) 'Financial management in the government is so much so needed as the oxygen in human living. It involves measuring the needs for funds, acquiring the funds and their best possible ways of spending through proper accounting and subsequently auditing which examine the appropriateness of disbursements. The main aim of this informative research paper is to develop a framework for Financial Administration Structure and Governmental Accounting and Auditing Systems in Bangladesh. To conduct this research only secondary sources of data are analyzed. Documentary/Contents analyses are shown from different published article, reform report, books and newspapers, laws and act. This study will add the value for learners, academicians, Policy makers, Governmental Accountants and Statesman.*

Keywords: Financial administration, Government accounting, iBAS++, GASB and Budget

1. Introduction

Public financial administration is a critically important facet of public administration which operates through the instrument of budget and encompasses the entire budgetary cycle, that is, formulation of the budget, enactment of the budget; execution of the budget; accounting and auditing (F. A. Nigro 1970). The term Financial Administration consists of two words viz. 'Finance and administration. The word 'administration' refers to organization and management of collective human efforts in the pursuit of a conscious objective. The word 'Finance' refers to monetary (money) resource. Financial Administration refer to that set of activities which are related to making available money to the various branches of an office, or an organization to enable it to carrying out its objectives. Whether it is the department of agriculture, railways, road Transport Corporation, health, municipality, information technology, education, its day-to-day activities would depend upon the availability of funds with which financial administration is operated. Hence G.S. Lall (1976) stated "Financial Administration includes all the activities which generate, regulate and distribute monetary resources needed for the sustenance and growth of the members of a political community". The scope of Financial Administration are; (a) Financial Planning, (b) Budgeting, (c) Resource mobilization, (d) Investment Decision, (e) Expenditure control, (f) Accounting, Reporting and Auditing.

According to Motahar Hussain (1994) 'Financial management in the government is so much so needed as the oxygen in human living. It involves measuring the needs for funds, acquiring the funds and their best possible ways of spending through proper accounting and subsequently auditing which examine the appropriateness of disbursements. Hence D.D. White (1995) stated, "Finance is, therefore, one of the inseparable responsibilities of government executives." It is also believed that "imprudent financial management alienates the people from the government, ultimately endangering latter's existence." Hence efficient financial management is an indicator of good government and good administration.

2. Literature Review

Constitution of the People's Republic of Bangladesh part VIII, section 127-132 ordered to form a Constitutional Supreme Audit Institution under the direct control of the President office of Republic headed by the Comptroller and Auditor General. In this Constitution Under section 128 (1) "The public accounts of the Republic and of all courts of law and all authorities and officers of the government shall be audited and reported by the auditor General and for the purpose he or any person authorized by him in that behalf shall have access to all records, books, vouchers, documents, cash, stamps, securities, stores or other government property in the possession of any person in the service of the Republic." Under section 131 "The public accounts of the Republic shall be kept in such a form and in such a manner as the Auditor-General may, with the approval of the President prescribe. Section 132 states, "The reports of The Auditor-General relating to the public accounts of the Republic shall be submitted to the president, who shall cause them to be laid before parliament. The constitution also gives the Government the power to require by law that Comptroller and Auditor General exercise 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 Function) Act, 1974,(ACT NO. XXIV of 1974). These tasks include the preparation of the Annual Finance Account and the Annual Appropriation Accounts.

To explain the importance of the study let us discuss few words from Biblical episode: The year is 1030 BC. For decades, the Israelite tribes have been living without a central government. The Bible records that the people have asked the prophet Samuel to "make us king to judge us like all the nations" [Samuel 8:5]. Samuel tries to discourage the Israelites by describing what life will be like under a monarchy:

This is what the king who will reign over you will claim as his rights: He will take your sons and make them serve with

his chariots and horses, and they will run in front of his chariots. Some he will assign to be commanders of thousands and commanders of fifties, and others to plow his ground and reap his harvest, and still others to make weapons of war and equipment for his chariots. He will take your daughters to be perfumers and cooks and bakers. He will take the best of your fields and vineyards and olive groves and give them to his attendants. He will take a tenth of your grain and of your vintage and give it to his officials and attendants. Your male and female servants and the best of your cattle and donkeys he will take for his own use. He will take a tenth of your flocks, and you yourselves will become his slaves. When that day comes, you will cry out for relief from the king you have chosen [Samuel 8:11-18].

The Israelites are undeterred by this depressing scenario: "The people refused to hearken unto the voice of Samuel; and they said: 'Nay; but there shall be a king over us; that we also may be like all the nations; and that our king may judge us, and go out before us, and fight our battles'". [Samuel 8:19-20]. This Biblical episode illustrates the government is a necessity for the entire nation for all time. Government is bound up with their states taxing and spending activities.

Study of financial administration and government accounting system is very necessary to establish a just society. Studying governmental accounting systems and its administration reached an advanced stage of development as early as 4th century B.C. Kautilya's Arthashastra was a treatise on financial administration. In this treatise (The Business of Keeping up the Accounts in the office of Accountants," in Book II, "The Duties of Government Superintendents) states, "Any clerk who violates or deviates from the prescribed form of writing accounts, enter what is unknown to him, or makes double or treble entries shall be fined 12 *panas*." he who causes loss of revenues shall not only pay a fine equal to five times the amount lost, but also make good the loss." in this treatise Kautilya's clearly defined the sector of collection revenues and revenue collection administration. For effective and efficient implementation of governmental accounting systems there must have some rules for reporting of public revenues and expenditure for judging performance and current condition. These rules increase the usefulness of reports, including their reliability and comparability. Since Accounting is a service activity, these rules reflect our society's needs and not those of accountants or any other single constituency.

3. Objectives of the study

The general objective of the study is to find out the Financial Administration Structure and Governmental Accounting and Auditing Systems in Bangladesh. Besides the general objective there are some specific objective viz.-

- 1) To explore the scope of preparing and maintaining the accounting records and controlling public expenditure by the Comptroller General of Accounts (CGA) and Comptroller & Auditor General (C&AG).
- 2) To review the accounting system and budget preparing procedures of The ministry of Finance, Finance Division,

The Government of the People's Republic of Bangladesh.

- 3) To Examine the Financial Administrative Structure and making better solution thereon for the people of Bangladesh.
- 4) To examine the Integrated Budget and Accounting System (IBAS++) in Bangladesh.

Scope and Limitations of The study

The study is conducted on the following aspect of Financial Administration and Governmental Accounting Systems in Bangladesh:

- 1) The information technology and other manual documents are using in collection, preservation and distribution of public funds.
- 2) Proper coordination of public revenues and expenditure.
- 3) The effective and efficient management of credit operation on behalf of the state.
- 4) Conducting study on the Audit manual Standards are using in preparing financial statement by the Government of the People's Republic of Bangladesh.
- 5) Reviewing the Public Financial Management (PFM) Reform strategy 2003, 2007-2012 and 2016-2021.

The major limitations of the study are; from among various public sectors the research conducted only on the Financial Administration, Accounting Systems and Budget Preparing procedures of the Ministry of Finance, Finance Division, Government of the People's Republic of Bangladesh. To review the Financial Administration, Budget preparing procedures, Accounting, Reporting and Auditing systems of the Government of the People's Republic of Bangladesh the study has been initiated in the secondary data of the Divisional Accounts Office (DAO), Comptroller General of Accounts (CGA), Comptroller and Auditor General (C & AG) and Financial Management Academy (FIMA).

4. Methodology of the Study

Descriptive research method is used to collect factual information to describe the existing phenomena, justifying current conditions and practices, comparison and evaluation. Documentary analysis or content analysis is also used in conducting this research. Data has been collected only from the secondary sources. Qualitative data are used in this research. In that case, (1) official records, (2) accounts, (3) reports, (4) Newspapers, (5) Budget speech, (6) Historical Documents, (7) Laws & Acts, and (8) Literature are used as sources of data.

The General Financial Rules of the Government: (Objective 1)

The rules contained in this volume, which are essentially executive orders of the president, describe primarily the financial power of different authorities subordinate to the Government and the procedure prescribed by the president, which should be followed by them in the securing and spending of the funds necessary for the discharge of the functions entrusted to them. Departmental authorities should follow these rules, Supplemented or modified by the special rules and instructions, If any, contained in their departmental regulation and other orders applicable to them.

The form in which and the general principles and methods according to which the accounts of Government should kept have been prescribed by the Auditor General with the approval of the president and the main directions in respect thereof are contained in Volume I of the accounts code, Volume II and Volume III of that code embody the directions of the Auditor General regarding the form of initial and subsidiary accounts to be kept in district and Thana accounts officer and by officers of the public works and the forest departments. Detailed rules and instructions relating to the forms of the initial and subsidiary accounts to be kept and rendered by officers of the Defence, Railways, Posts and Telegraph and other technical departments whose accounts are not finally settled through the Districts and Thana Accounts offices, are laid down in the accounts manuals or in the departmental regulation relating to the departments concerned.

Classification in Governments Accounts:

Classification Structure

Component	Number of Digits	Description
Level 1	1	Legal Code
Level 2	2 2	Ministry/ Division Major subdivision of ministry/Division/Department/D irectorate and group of activities
Level 3	4	Operational units/Developments projects
Level 4	2 2	Economic group Economic detail within group

Source: General Financial Rules by Govt. of Bangladesh

Budget Preparation Process: (Objective 2)

As per the constitution of People's Republic of Bangladesh under section 87 (1) There shall be laid before Parliament, in respect of each financial year, a statement of the estimated receipts and expenditure of the Government for that year, in this part referred to as the annual financial statement. (2) The annual financial statement shall show separately- (a) the sum required to meet expenditure charged by or under this Constitution upon the Consolidated Fund; and (b) the sums required to meet other expenditure proposed to be made from the Consolidated Fund; and shall distinguish expenditure on revenue account from other expenditure.

Enactment of budget means the passes or approval of the budget of the annual financial statement or the statement of the estimated receipts and expenditure of the government. This means that the government can neither collect money nor spend money without the enactment of the budget. Generally, the budget goes through the following six stages in the parliament: Presentation of budget, General discussion, Scrutiny by departmental committee, voting on demands for grants, passing of appropriation bill, passing of finance bill

Outcomes of the RIBEC Report: (Objective 3)

The program of the Reforms in Budgetary and Expenditure Control (RIBEC) has been in existence since the early 1990s when the Government of Bangladesh (GOB) embarked on the restructuring of its budgeting and accounting systems. Since 1992 the department for International Development

(DFID), then the overseas development administration, has provided technical assistance to supplement the Government's program and the funding of the current phase is committed until the end of June 2001. Following are the benefits of the RIBEC report.

Benefits:

- Implementing the new budget classification
- Improving the quality of financial information in terms of accuracy, consistency and timeliness both in the budget preparation and the monthly accounts.
- Establishing management accounting unit (MAU) in ministries to improve the completeness of financial reporting and to start to improve the functioning of Budget committees.
- Developing the necessary IT infrastructure.
- Increasing skills through training

CORBEC Report (Its background and outcomes):

The government has felt for quite some time the need for improvement in budgeting and expenditure control process and procedure. At the request of the government a number of short term studies had been carried out by IMF in late 1970s/1980s. The World Bank also focused on these issues in some of its annual CEMs and partly in its report on Public Resource Management. GOB also set up a committee on Reform of Budget and Expenditure Control (CORBEC) to carry out a diagnostic study to identify the areas of weakness and remedies necessary to strengthen public finance management. The common concern expressed in all these reports include; discrepancies of budget estimates and budget out-turn with respect to both receipts and expenditure; weak control over expenditure flows; weaknesses in recording and reporting of expenditure; absence or inadequacy of information regarding public sector enterprises in the national budget; absence of procedures and information in the budget and accounting data which would enable assessment of outcomes of public expenditure.

Major outcomes of the report are; it sets out the requirement for accurate and timely preparation of financial reports and accounts to the sector, departments. Legislature and the central bank; reviewed the existing institutional arrangements and procedures for determining the relationship of monetary and financial policies with governments fiscal and budgetary strategies; review the current accounting system and ensured that it comprehensively covers all revenues and expenditures of GOB; identified the training requirements for the staff of the comptroller and Auditor General and Ministry of Finance (Budget), for implementation and operation of these systems; identified training and recruitment requirement to improve the timeliness of Government auditing and better focus it on effectiveness and efficiency of the use of public resources.

Goals objectives of and priority Actions for the strategy 2016-2021:

The GoB Public Financial Management (PFM) reform strategy workshop identified the critical requirements for the strategy 2016-2021, in order to support delivery of the 7th Five Year Plan. The critical requirements are:

- Raise revenue, especially through the new VAT law
- Implement a new financial management information system (iBAS++) based on the new chart of accounts
- Implement reforms to strengthen public investment management and planning-budgeting linkages
- Strengthen PFM skills and staff retention
- Improve the timeliness of publication of audited financial statements
- Roll out e-procurement across government.

iBAS++ a brief Introduction: (Objective 4)

iBAS++ (integrated Budget and Accounting System) is an integrated financial management information system for the government of Bangladesh. It is a centralized, internet and Oracle based software, which allows budget preparation, budget distribution to the field offices, fund release, re-appropriation, online submission of pay and other bills, payment processing through EFT, cheque and payment order, accounting of all receipts and payment of the government, automated bank reconciliation, etc. The systems will provide a complete picture of financial assets and liabilities of the governments at a given point of time, after complete implementation of the system. iBAS++ has the following four key modules: Budget preparation, Budget execution, General ledger, Accounting.

Budget preparation

iBAS++ allows preparation of national budget using Medium Term Budget Framework (MTBF) paradigm with the following key activities:

- (1) Implementation of resources ceiling for different levels of organization;
- (2) Capturing detailed estimation and projection units and field-level office;
- (3) Generation of various financial statements and analysis for presentation to the parliament.
- (4) Multidimensional analysis of budget versus actual.

Key users of the module

Finance division, Line ministries/division, Directorate/Departments, Field offices, Autonomous bodies.

Budget execution module:

Operation of budget execution module starts after budget approved by the parliament. The module helps performs the following activities:

- (1) Budget distribution to the subordinate/field offices;
- (2) Breaking of development budget from summary to detail economic codes;
- (3) Releases of fund for development programs financed by revenue budget in order to help cash management;
- (4) Re-appropriation based on delegation of financial power;
- (5) Recording of quarterly Budget Implementation Plan (BIP) and corresponding actual progress.

Key users of the module:

Finance division, Line ministries/division, Directorate/Departments, Field offices, Autonomous bodies.

Accounting Module

This module provides the following facilities:

- (1) Online submission of all types of bills by field offices;
- (2) Online budget control; register for budget holders;

- (3) Online bill status query;
- (4) Bill and Payment (EFT, Cheque, Payment Order) processing in accounting offices and automatic update of various registers and ledgers;
- (5) Automatic update of sub-register for GPF, and loans and advances, and access of the employees to those ledgers;
- (6) Automated services records and Last Pay Certificate (LPC);
- (7) Automatic calculation of employee salary based on an employee data base maintained in iBAS++, and loans and advance record;
- (8) Electronic interface with treasury banks and automatic bank reconciliations;
- (9) Pension payment through Electronic Fund Transfer (EFT) using a pension database;

Key users of the module:

Controller General of Accounts, Chief accounts officer, District accounts offices, Upazila accounts offices, Drawing and disbursement officers, Self drawing officers.

General ledger module:

Budgetary and accounting controls (e.g. budget checking) is enforced by this module at the backend. It helps provide an updated picture of financial assets and liabilities, as well as financial follows.

5. Findings of the Study

From this informative research study the following problems and improvement of public financial management and accounting systems are analyzed in this part.

- (1) The government auditing standards are issued under the authority of article 128 of the constitution of the People's Republic of Bangladesh and the Comptroller and Auditor General (Additional Function) Act 1974.
- (2) The constitution of the People's Republic of Bangladesh places the office of the Comptroller and Auditor General in unique position of trust which requires that all work of the office be carried out in accordance with the highest professional standards. This entrust us with a responsibility to ensure high standards of quality, adopt best practices and set benchmarks against which to measure the quality and output of our work. It is therefore, incumbent upon us, to establish and codify internationally acceptable and modern professional standards to govern all our audit work so that we can efficiently and effectively carry out the responsibilities bestowed on us by the constitution.
- (3) Different committee report such as CORBEC, RIBEC and PFM Reform Strategy 2016-2021 emphasis on to establish a develop IT infrastructure for improving the quality of financial information in terms of accuracy, consistency and timeliness both in the budget preparation and the monthly accounts.
- (4) Performance audit and financial audit is currently conducted by the office of the Comptroller and Auditor General of Bangladesh. There is no scope of IT infrastructural audit of this Supreme Audit Institution (SAI).
- (5) With the iBAS++ Budget execution has started from July 2016 and rollout of accounting module has been completed in 2016-2017 based on the existing

classification. New classification is done on the basis for budget preparation, execution and accounting for fiscal year 2017-2018. Full commitment control and asset management by 2019-20.

- (6) 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.
- (7) Departmentalization of accounts does not seem to have been adequately institutionalized yet; CAO have ineffective accounting control; and PAO/ Secretaries are more concerned with administrative management than financial propriety and financial accountability. Creation of DAOs and UZAOs within a short space of time have expanded the accounts administration outfit which have been filed up by person without adequate training and experience. To overcome this weakness, it would be necessary to: Define clearly the functions and authority of CAOs: Their relationship with PAOs/ Secretaries; the responsibilities of PAOs/ Secretaries in regard to financial accountability; and train the accounting staff. In addition, consideration should be given to the possibility of reducing the range of the, functions of UZAOs or transferring all those functions to the district offices.

6. Recommendation and Conclusion

- (1) Circular 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 minimize the duality of responsibility that exist for both the comptroller General of Accounts and 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.
- (2) For effective and efficient management of the duty and responsibility of C&AG and CGA the institutional leader should be appointed from the professional accountants such as FCA and FCMA. In that case, necessary rules and regulation should be added to the constitution.
- (3) As the present age is the age of science, hence it is necessary to introduce specific auditing and reporting standards for Information and Technological infrastructural audit in conformity with the standard of International Organization of Supreme Audit Institute (INTOSAI).
- (4) It is necessary to massive publicity regarding iBAS ++ so that the beneficiary can draw their necessary services from the accounts office without any delay and harassment.
- (5) Though there is a strong information systems, a software should be developed to consolidate all transactions and accounts directly from Upazila to CGA and finally for auditing by the C &AG.

- (6) A comprehensive training should be provided to the officers and employee to the line ministries, CGA office, C &AG officials District and Upazila accounts officers.

Bangladesh is now an emerging economic country of the world. As per the report of the Center for Economic and Business Research (CEBR)-2019 by the year 2032

Bangladesh will be the 24th economist country in the world. By 2021 it will be a middle incoming Digital Bangladesh. By 2041 this country will stand in the Developed nation in the world map. To achieve these goals there is no alternative to maintain transparent and accountable accounts of the republic. An improved and faultless Financial Administration and Governmental accounting system is inevitable for achieving a hunger and poverty free developed and peaceful Bangladesh.

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