



# INVESTIGATIONS MANUAL



Office of the Comptroller and Auditor General of Bangladesh





## Preface

The Supreme Audit Institution (SAI) of Bangladesh always endeavours to keep abreast of what is happening in the contemporary audit world. This is reflected in preparing Investigations Manual by SAI Bangladesh. The Investigations Manual is a new type of fact-finding tool in our existing public financial management landscape. It is not exactly an Audit Manual, but it can be used in parallel with other Audit Manuals especially the Fraud Audit Manual. Besides, when the SAI of Bangladesh agrees, the auditors may share evidence with other body/bodies in the interest of public service. The present Manual is based on international best practices.

This Investigations Manual is an important deliverable under the present development initiative, i.e., Strengthening Public Expenditure Management Programme (SPEMP-B). Concerned international and national consultants as well as the evaluation team and OCAO officials deserve special appreciation for producing and enriching this valuable product.

The Manual derives its authority from articles 128 and 132 of the Constitution of the People's Republic of Bangladesh and the Comptroller and Auditor General (Additional Functions) Act, 1974 and subsequent amendments thereof.

This Manual is a living document. It will be updated periodically or as and when necessary. Any suggestion to improve it will be most welcome. However, while applying the Manual if any error or omission is noticed, it may please be brought to the notice of the Office of the Comptroller and Auditor General of Bangladesh immediately for necessary rectification.

**Masud Ahmed**

Comptroller and Auditor General of Bangladesh

Dated: Dhaka, June 2016



# Investigations Manual

## Table of Contents

<b>1. INTRODUCTION .....</b>	<b>1</b>
1.1 Introduction .....	1
1.2 Definition of an Investigation.....	1
1.3 Wrongdoing and Fraud .....	2
1.4 Misconduct.....	3
1.5 Forensic Accounting .....	3
1.6 Meaning and Scope of Forensic Auditing.....	5
1.7 Legal Powers and Obligations .....	5
1.8 Investigation Resources .....	6
1.9 Principles of Investigation Activity .....	6
1.10 The Auditor’s Responsibilities for Fraud Detection .....	6
1.11 Referral.....	7
<b>2. RECEIVING AND EVALUATING INFORMATION THAT MAY LEAD TO AN INVESTIGATION .....</b>	<b>8</b>
2.1 Receipt and Handling of Source Information.....	8
2.2 Predication .....	8
2.3 Registration .....	8
2.4 Evaluation .....	9
2.5 Notification .....	9
<b>3. PLANNING AND MANAGEMENT OF INVESTIGATION.....</b>	<b>10</b>
3.1 Introduction .....	10
3.2 Predication .....	10
3.3 Investigation.....	11
<b>4. FIELDWORK – FACT FINDING AND EVIDENCE GATHERING.....</b>	<b>14</b>
4.1 Types of Evidence .....	14
4.2 Relevance of Evidence .....	14
4.3 Testimonial Evidence .....	15
4.4 Witness Testimony.....	15
4.5 General Witness.....	15

4.6 Specialist Witness .....	15
4.7 Subject Interviews.....	16
4.8 Fairness .....	16
4.9 Specific and Sweep Interviews.....	16
4.10 Interview Model.....	16
4.11 Interview Participants .....	17
4.12 Recording Testimonial Evidence .....	17
4.13 Documentary Evidence .....	18
4.14 Physical Evidence .....	19
4.15 Evidence Handling.....	20
4.16 Internal Legal Framework .....	20
4.17 Techniques for Collecting Evidence .....	20
4.18 When Investigation Begins .....	24
4.19 Formulation of Investigative Questions.....	25
4.20 Conducting an Investigation .....	26
<b>5. REPORTING.....</b>	<b>29</b>
5.1 Introduction .....	29
5.2 Report Structure, Format and Style .....	29
5.3 Fairness during the Report Writing Stage.....	30
5.4 Confidentiality of Reports .....	31
<b>6. REFERRAL.....</b>	<b>32</b>
6.1 Introduction .....	32
6.2 Referral procedures .....	32
6.3 Collaboration with National Authorities.....	32
<b>Appendix .....</b>	<b>33</b>
Appendix 1: Evaluation of source information .....	35
Appendix 2: Investigation work plan .....	36
Appendix 3: Interview plan.....	40
Appendix 4: Further Guidance on Interviewing .....	42
Appendix 5: Record of Results of Interview.....	47
Appendix 6: Documentary Evidence Log .....	48

Appendix 7: Record of Results of Testing of Documentary Evidence .....	49
Appendix 8: Template for Investigations Report .....	50
Appendix 9: Typical Approach to Forensic Accounting.....	52
Appendix 10: Audit Planning Mamorandum.....	54
Appendix-11: Draft Audit Report .....	82

# 1. INTRODUCTION

## 1.1 Introduction

1.1.1 Investigation is a formal fact finding enquiry to examine allegations of misconduct and wrongdoing in order to determine whether they have occurred and if so, the person or persons responsible. There are many ways to define investigation and investigations are often referred to by different names. Nonetheless, there are some common elements of investigation. An investigation, including all types of related inquiries, is defined as a legally based and analytical process designated to gather information in order to determine whether wrongdoing occurred and, if so, the persons or entities responsible.

1.1.2 Although investigations and other types of inquiries are simply fact-finding processes, they may have different requirements depending on how those facts will be used. Consequently, the nature of the investigation must be determined to establish the appropriate process to follow. This is determined by establishing which authority conducts the investigation and the type of possible wrongdoing investigated.

## 1.2 Definition of an Investigation

1.2.1 Any investigation function is a tool for collecting facts. In executing this function properly, however, the investigation can achieve purposes beyond simply collecting facts. In particular, the function is also a:

- deterrence against possible impropriety. Individuals who may be inclined to act improperly are deterred by the fact that such conduct will be subject to effective investigation;
- commitment to accountability. This requires a robust capacity to establish facts so that there will be consequences for this misconduct which is critical for achieving accountability.

1.2.2 There are many ways to define an investigation and investigations often are referred to by different names. Nonetheless, there are common elements. An investigation including all types of related inquiries may be defined as:

A legally based and analytical process designed to gather information in order to determine whether wrongdoing occurred and, if so, the persons or entities responsible.

1.2.3 It should be noted that there is no International Standard for Supreme Audit Institutions (ISSAI) for investigations and investigations are not audits in nature (investigations are



more focused and flexible and frequently require civil and criminal levels of evidence). However, ISSAI 1240 (ISA 240) deals with auditor's responsibilities relating to fraud in an audit of financial statement. According to ISSAI 1240, 'misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional. Although fraud is a broad legal concept, for the purposes of the ISAs, the auditor is concerned with fraud that causes a material misstatement in the financial statements. Two types of intentional misstatements are relevant to the auditor- misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Although the auditor may suspect or, in rare cases, identify the occurrence of fraud, the auditor does not make legal determinations of whether fraud has actually occurred.'

1.2.4 As a matter of good practice the manual ought to be modified by OCAg to make any necessary clarifications or changes in the light of general experience once in general use.

1.2.5 This manual provides a template for Audit Planning Memorandum for fraud prevention and Forensic Investigation Audit and also a model of Investigation Report. The Audit Planning Memorandum based on the template is presented in Annex -10 and the report of the pilot audit has been provided a local context in Annex-11 of this manual.

1.2.6 As a matter of good practice, the manual ought to be modified by OCAg to make necessary clarifications or changes in light of general experience once in general use.

### **1.3 Wrongdoing and Fraud**

1.3.1 Investigating wrongdoing includes investigating:

1. malfeasance - criminal activity;
2. misfeasance - activity which is not necessarily criminal but by any measure should not be occurring.

1.3.2 A fraudulent practice is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

1.3.3 The most common frauds are associated with the theft of assets. Theft is defined in Chapter XVII of the Bangladesh Penal Code of 1860 as 'Whoever, intending to take dishonestly any moveable property out of the possession of any person without that person's consent, moves that property in order to such taking, is said to commit theft'.

1.3.4 For further discussion of the definition of fraud please see Section 2 of the OCAg Fraud Audit Manual to support an audit of an audited bodies procedures to prevent and detect fraud.

## 1.4 Misconduct

1.4.1 Misconduct is a behavior, such as adultery or professional negligence that is regarded as immoral or unethical. It is classified into two broad categories, according to the relative seriousness of the conventional and risk to the organization, which are presented below:

<b>Category I Serious</b>	<b>Category II Routine</b>
<ul style="list-style-type: none"> <li>● Serious/complex fraud or criminal activity</li> <li>● Prohibited conduct by senior staff members</li> <li>● Conflict of interest</li> <li>● Gross mismanagement</li> <li>● Waste of substantial resources</li> <li>● Risk of loss of life to staff or to others</li> <li>● Complex proactive investigations aimed at studying and reducing risk to life and/or property</li> <li>● Entitlement fraud</li> <li>● Procurement violations</li> <li>● Substantial violations of regulations, rules or administrative issues</li> </ul>	<ul style="list-style-type: none"> <li>● Personnel matters</li> <li>● Traffic related inquiries</li> <li>● Simple thefts</li> <li>● Contract disputes</li> <li>● Basic misuse of equipment or staff</li> <li>● Prohibited conduct by staff</li> <li>● Basic mismanagement issues</li> </ul>

This distinction between category I and II is used to determine whether OCAg should investigate or whether another authority may assume that role.

## 1.5 Forensic Accounting

1.5.1 The integration of accounting, auditing and investigative skills yields the specialty known as Forensic Accounting. "Forensic", according to the Webster's Dictionary means, "Belonging to, used in or suitable to courts of judicature or to public discussion and debate." Forensic Accounting has existed for many years. With the growing complexity of the business environment and the growing number of business related investigations, Forensic Accounting professionals are increasingly asked to assist in the investigation of financial and business related issues.

1.5.2 Forensic Accounting provides an accounting analysis that is suitable to the court which will form the basis for discussion, debate and ultimately dispute resolution. Forensic Accounting encompasses both Litigation Support and Investigative Accounting. Forensic Accountants are trained to look beyond the numbers and deal with the business reality of the situation.

1.5.3 It is the specialty practice area of accounting which describes engagements that result from actual or anticipated disputes or litigation. "Forensic" means "suitable for use in a court of law", and it is to that standard and potential outcome that forensic accountants generally have to work. Forensic accountants, also referred to as forensic auditors or investigative auditors, often have to give expert evidence at the eventual trial. All of the larger accounting firms, as well as many medium-sized and boutique firms and various Police and Government agencies have specialist forensic accounting departments. Within these groups, there may be further sub-specializations: some forensic accountants may, for example, just specialise in insurance claims, personal injury, fraud, Anti-Money Laundering, construction, or royalty audits.

1.5.4 Financial forensic engagements may fall into several categories. For example:

- Economic damages calculations, whether suffered through tort or breach of contract;
- Post-acquisition disputes such as earnouts or breaches of warranties;
- Bankruptcy, insolvency, and reorganization;
- Securities fraud;
- Tax fraud;
- Money laundering;
- Business valuation; and
- Computer forensics/e-discovery.

1.5.5 Forensic accountants often assist in professional negligence claims where they are assessing and commenting on the work of other professionals. Forensic accountants are also engaged in marital and family law of analyzing lifestyle for spousal support purposes, determining income available for child support and equitable distribution.

1.5.6 Engagements relating to criminal matters typically arise in the aftermath of fraud. They frequently involve the assessment of accounting systems and accounts presentation—in essence assessing if the numbers reflect reality.

1.5.7 Some forensic accountants specialise in forensic analytics which is the procurement and analysis of electronic data to reconstruct, detect, or otherwise support a claim of

financial fraud. The main steps in forensic analytics are (a) data collection, (b) data preparation, (c) data analysis, and (d) reporting. For example, forensic analytics may be used to review an employee's purchasing card activity to assess whether any of the purchases were diverted or divertible for personal use.

A typical approach to forensic accounting is shown in appendix 9.

## **1.6 Meaning and Scope of Forensic Auditing**

1.6.1 Forensic auditing is the application of accounting and auditing methods and techniques, other investigative skills, and a knowledge of the law to track and collect forensic evidence, that is, evidence that is admissible in a court of law, usually for the investigation and the prosecution of a criminal act.

1.6.2 Forensic auditing is distinguished from statutory auditing in that forensic auditing:

- seeks to determine the correctness of accounts or whether any fraud has actually taken place;
- involves analysis of past trend and substantive or “in-depth” checking of selected transactions;
- is not limited in scope of examination to a particular accounting or fiscal period;
- involves the verification of suspected items independent of management.

1.6.3 Forensic audit evidence is evidence collected by an auditor or investigator during the course of an investigation that will be used in an administrative tribunal or court of law or other proceeding to demonstrate that a law, a contract term, or other covenant has been violated.

1.6.4 Audit evidence is also used in a court of law. However, the primary purpose of audit evidence is only to support the auditor's conclusions, in the case of fraud, a conclusion that probable fraud may exist, and whatever is contained in the reports an auditor may issue.

## **1.7 Legal Powers and Obligations**

1.7.1 It is very important to understand the legal powers and obligations pertaining to any investigation. For example, does the auditor have the power to search an individual or premises and to seize and retain property found on premises and persons? And what are the legal obligations that attach to any such powers?

1.7.2 When investigating suspected fraud, it is very important to understand what the legal requirements are regarding the collection of evidence if there is to be a successful prosecution or civil action or dismissal for gross misconduct. The OCAG may identify suspected frauds and provide evidence in the form of audit observations or investigation reports which may be used by the audited body and prosecuting authorities to take appropriate action. The evidence has to be of the highest possible quality for satisfactory action to be taken.

1.7.3 It is necessary to continuously evaluate the above options as the investigation proceeds.

1.7.4 It is also important to understand the legal requirements regarding the possible suspension of suspected employees while an investigation is taking place.

## **1.8 Investigation Resources**

1.8.1 Having the appropriate resources is also a key factor in a successful investigation. For example, resources regarding the surveillance of suspects may be required.

## **1.9 Principles of Investigation Activity**

1.9.1 Good investigations are based on eight fundamental principles. Those are:

- (a) Investigators must be as independent as possible.
- (b) Investigators must be trained and experienced.
- (c) All potential relevant issues must be identified and, where appropriate, pursued.
- (d) Investigations must be sufficiently resourced.
- (e) All relevant physical and digital evidence must be identified, preserved, collected and examined as necessary.
- (f) All relevant documentation must be secured and reviewed.
- (g) All relevant witnesses must be identified, segregated where practical and thoroughly interviewed.
- (h) The analysis of all material gathered during the investigation must be objective and based solely on the facts.

## **1.10 The Auditor's Responsibilities for Fraud Detection**

1.10.1 The auditor should have sufficient knowledge to identify the indicators of fraud but is generally not expected to have the expertise of a person whose primary responsibility is to detect and investigate fraud. Among the principal duties of the auditor is to be proactive in identifying opportunities that could allow fraud to take place, assess the need for investigation by evaluating those opportunities and, if necessary, extending audit procedures that will allow a conclusion to be drawn as to whether probable fraud

exists, and notifying the appropriate authorities if an incident or incidents of probable fraud are documented.

## **1.11 Referral**

1.11.1 Without appropriate powers and resources it is advisable to hand over the investigation to those who are in possession of such powers and resources.

1.11.2 It follows that it is very important to liaise with legal advisors and prosecuting authorities from the outset of an investigation where appropriate.

1.11.3 Paragraph 26 (iii) of the OCAG Audit Code (which derives its authority mainly from articles 128 and 132 of the Constitution of the People's Republic of Bangladesh and the Comptroller and Auditor General (Additional Functions) Act, 1974) states that: 'Indications of fraud and irregularities from whatever source and whatever the likely amount involved should be followed up promptly. In most cases the auditors' responsibility will be discharged by informing the audited body and recommending that it takes the necessary action which, according to the circumstances, might include reference to the appropriate authorities'.

1.11.4 Paragraph 28 of the OCAG Audit Code states that: 'Auditors should take note of evidence which may indicate the possibility of corrupt practices. Where necessary in the public interest, any such evidence should be referred by auditors for further investigation by the appropriate body. Depending on the circumstances this might be the audited body or an investigating authority including any anti-corruption agency of the Government'. The OCAG should seek to further clarify the statutory basis and protocols for making referrals of this kind.

## **2. RECEIVING AND EVALUATING INFORMATION THAT MAY LEAD TO AN INVESTIGATION**

### **2.1 Receipt and Handling of Source Information**

2.1.1 The proper receipt and handling of source information at intake is essential and requires:

- a specific and dedicated procedure for receiving source information;
- the systematic recording of source information;
- the consistent review of source information for action;
- the transparent and verifiable management of source information.

2.1.2 Sources of information that may lead to an investigation may come from a variety of different sources including:

- staff acting in an official capacity for example, a manager who detects an irregularity via the normal everyday operation of internal controls;
- individual witnesses to the possible wrongdoing whether he is a staff member or not;
- audit, inspection and evaluation reports;
- previous investigations;
- media reports;
- Confidential information provided by an outsider without identifying himself;
- any complainant.

### **2.2 Predication**

2.2.1 The predication process includes the formal registration, evaluation and decision on the appropriate disposition of the matter. The predication process requires a documented system to track both the handling of incoming reports through each stage and those responsible for the ultimate decision on disposition.

### **2.3 Registration**

2.3.1 Registration is the systematic process of recording the receipt of information. The register must indicate the date of receipt of the source information and provide an audit trail for subsequent action taken in the case.

## 2.4 Evaluation

2.4.1 Evaluation assesses if the case is within the scope of the investigators remit and assesses if there is sufficient information on which to proceed.

2.4.2 The evaluation may result in one of four decisions:

- **Referral**

Where a matter is not within the OCAG's remit it may be referred to another department or body for action. A matter may also be referred back to its originator if appropriate. Referrals normally provide some information on the basis and justification for the referral. For example, the directing resources to greater risks. Resources and risks have to be considered.

- **No action required**

Where a matter is not receivable and is not appropriate for referral it should be maintained on the register for information purposes.

- **Enquiry**

Where a matter does not include sufficient information to proceed and further clarification is possible the matter may be suspended pending obtaining it.

- **Assignment for investigation**

Where a matter is receivable it will be assigned for investigation.

Please refer to the flowchart of receiving and evaluating source information which may lead to an investigation at **Appendix 1**.

## 2.5 Notification

2.5.1 The individual who provided the source of information will normally be notified of the outcome of the predication process.



## **3. PLANNING AND MANAGEMENT OF INVESTIGATION**

### **3.1 Introduction**

3.1.1 The planning and subsequent management of any investigation is critical to a fair and effective outcome. Any investigation work plan must be flexible and investigation requires particular attention to evolving and sometimes unanticipated demands. The investigations work plan must be comprehensive and thorough enough to provide clear direction and establish for the record known requirements, facts and circumstances to advance the investigation process in a methodical and expeditious manner.

### **3.2 Predication**

#### **3.2.1 Introduction**

3.2.1.1 The predication of a matter after the receipt of source information is a key part of the intake process.

3.2.1.2 Matters which are not predicated for investigation are normally referred to another authority. Hence, clear procedures ought to be established for efficient referrals and these procedures ought to include provision for following up referrals made (please refer Chapter 6 for further detail).

#### **3.2.2 Assignment for Investigation**

3.2.2.1 The assignment of a matter for investigation should take into consideration the resources available and identify individuals who have the skills and capacity to carry out the investigation. The assignment process must plan for any issues that may affect the individual's ability to investigate the matter as well as factors affecting time required for investigation such as translation/interpretation and technical knowledge or skills that may require third party assistance.

#### **3.2.3 Investigation Calendar**

3.2.3.1 The investigation calendar provides a structured approach to conducting an effective investigation and is a key element of the overall investigation work plan. The date of the receipt of the source information should serve as the commencement date of the calendar. All actions, events and targets are recorded for purposes of monitoring progress against the investigation work plan. The investigation calendar should follow the case from intake to closure and be updated as required.

### **3.2.4 Remedial or Interim Measures**

3.2.4.1 The predication process may reveal risks arising from continuing wrongdoing or possible threats to the integrity of the investigation. Hence, the possibility of interim remedial or measures ought to be considered as part of the predication process. This may include a request for suspension of a staff member pending the investigation or urgent requests for evidence such as in the case of electronic evidence. The investigation calendar must record key dates such as staff suspension dates and dates by which interested parties must be notified to permit appropriate action to be taken as the matter moves from predication to investigation.

### **3.2.5 Personnel Implicated**

3.2.5.1 When implicated individuals are identified at the predication stage all employment records of those individuals must be obtained.

### **3.2.6 Applicable Legal Norms**

3.2.6.1 It is important to assess the nature of the reported matter and the elements of wrongdoing identified during the intake process. Hence, a legal assessment must be planned and ongoing monitoring carried out particularly in the event of potential criminal conduct that can result in a referral to prosecuting authorities.

## **3.3 Investigation**

### **3.3.1 Introduction**

3.3.1.1 Planning for the investigation phase after predication normally considers the following broad categories of activity as part of the investigation work plan:

- Preservation of evidence
- Witnesses (including identified implicated personnel)
- Records
- Resources
- Forensics
- Equipment
- Logistics ( e.g. travel arrangements)

3.3.1.2 These categories are not exhaustive and the work plan must be kept flexible so that adjustments can be made as changes arise and any new information is discovered. Hence, the work plan is a living document that anticipates and records developments in the investigative process.

### **3.3.2 Preservation of Evidence**

3.3.2.1 Since an investigation is a fact-finding process and the facts may be evidence of possible wrongdoing the preservation of evidence is a key planning consideration.

3.3.2.2 The work plan ought to identify known and possible sources of evidence and the means of securing these sources of evidence and the recovery, handling and storage of that evidence. The means of preservation will vary according to the type of evidence. Consequently, known and potential sources of evidence must be identified as soon as possible and included in the investigation work plan and the work plan may be then developed to address the preservation and subsequent collection of evidence.

Please see Chapter 4 for further discussion of evidence handling.

### **3.3.3 Witness Testimony**

3.3.3.1 Witness testimony is particularly important evidence to collect and critical to any investigation. The importance and special nature of witness testimony requires careful planning. Witness recollection may quickly fade and may be influenced by internal factors such as discussions with others and external factors such as media reports. The investigation work plan requires a detailed interview schedule which addresses:

- Witness availability
- Order of testimony
- Special needs (e.g., interpreter)
- Re-interviewing

3.3.3.2 These considerations are inter-related and any changes may have an impact on the whole investigation work plan.

### **3.3.4 Records**

3.3.4.1 Records are documentary evidence created or received by a member of staff in connection with the official work of the organisation and remain the property of the organisation. Records may be lost, damaged, altered or changed for legitimate or illegitimate reasons or transferred and this may impact the time it takes to trace and obtain those records.

3.3.4.2 The identification of relevant records is fundamental and the investigation work plan must address the means of obtaining them. Particular consideration should be given to obtaining electronic records that may be stored on back-up media that is periodically disposed of.

3.3.4.3 Plans for obtaining records should also consider their handling and storage.

3.3.4.4 Since the records may provide evidence, the investigation work plan should address chain of custody requirements and use evidence logs. This is covered in Section C of the Investigation work plan template at Appendix 2. Chain of custody requirements relate to the need to demonstrate that evidence has been held securely and therefore, has not been tampered with or otherwise compromised.

### **3.3.5 Resources**

3.3.5.1 A preliminary resource plan must be drawn up as soon as practical to identify all personnel required to participate in the investigation including external expertise if necessary as well as financial and physical resources. This is covered in Section D of the Investigation work plan at Appendix 2. The resource plan will have to be regularly monitored and updated as the investigation proceeds.

3.3.5.2 Investigations frequently require support from host departments and others and any support required ought to be identified early so that timely contact can be made and necessary tasks explained.

### **3.3.6 Forensics**

3.3.6.1 Early planning is required for any forensic analysis. It is usually time consuming to carry out forensic analysis and most of the occasion for doing this type of analysis assistance from subject matter expert is necessary.

### **3.3.7 Post Investigation**

3.3.7.1 The investigation work plan must consider necessary actions after the investigation report is completed. This includes the return or transfer of evidence, debriefing of managers and support for the administration of justice.

Please see the proforma investigation work plan at **Appendix 2**.

## 4. FIELDWORK – FACT FINDING AND EVIDENCE GATHERING

### 4.1 Types of Evidence

4.1.1 There are many types of evidence, including:

- **Testimonial Evidence:** this typically includes the recollection of individuals who actually saw an event or have direct knowledge of something relevant to the matter being investigated.
- **Documentary Evidence:** this includes internally and externally generated correspondence, forms and business records. Documents and records may exist in physical and/or electronic form.
- **Electronic Evidence:** this normally refers to e-mail, data on hard drives or other computer memory, logs, system transactions, including automatic, key card gate entry. It also may include video and/or audio recordings.
- **Physical Evidence:** this includes equipment, goods and facilities. It also includes records of the physical state of objects including photographs.
- **Forensic Evidence:** This is a general category that could include finger prints, DNA trace material and scientific analysis of items to establish certain properties or their sources. It involves an element of analysis or interpretation that requires special handling and explanation that physical and electronic evidence may not provide. However, if necessary, OCAg may seek cooperation from other concerned agencies for these types of evidences.

### 4.2 Relevance of Evidence

4.2.1 An essential principle of evidence is relevance. The evidence should make the existence of any fact that is of consequence to a matter under review more probable or less probable than it would be without the evidence.

4.2.2 The investigator should establish what evidence is likely to be relevant. When in doubt it is better to collect too much than too little. Irrelevant evidence may always be discarded or returned to at a later stage.

4.2.3 Direct evidence expressly supports the existence of a fact while circumstantial evidence supports the inference of a fact.

4.2.4 The investigator is not just seeking evidence that supports an allegation of wrongdoing. Indeed, a fair investigation should also look for evidence that disproves an allegation.

### **4.3 Testimonial Evidence**

4.3 Testimonial evidence is obtained through interviewing individuals. An interview can take different forms depending on the subject matter of the investigation and the nature of the person's testimony. Individuals who witnessed relevant events or have knowledge or information relevant to those events are generally interviewed. Additionally, anyone implicated in the matter under investigation, for example, someone accused of impropriety or individuals who had access and opportunity to perpetrate an act being investigated (also referred to as the 'interview subject') must be interviewed.

### **4.4 Witness Testimony**

4.4.1 Witness testimony typically is obtained before any subject interviews. Witness interviews may be used either to obtain general background information in order to prepare for the investigation and other interviews, or they may be necessary to establish the facts related to possible misconduct. The witness, therefore, may be either a "general" or "specialist" witness. The distinction between types of witnesses may not always be clear and may even change as an investigation progresses. Nonetheless, it is important to characterize possible witnesses not only to plan for the overall investigation but also to determine the necessary questions for any interview, as well as the interview method most appropriate for the witness.

### **4.5 General Witness**

4.5.1 A general witness is anyone who can provide testimonial evidence relevant to the matter being investigated. Since general witness interviews typically become part of the investigation report, a clear record of the interview is required. Accordingly, the interview methods are less flexible.

4.5.2 On the one hand, this category may include a material witness, that is, someone who has unique, compelling or critical testimonial evidence, from whom a detailed question and answer interview should be obtained. On the other hand, testimony of witnesses providing evidence of a general nature or who may simply be corroborating facts or providing redundant accounts of the same events may be recorded in a witness statement.

### **4.6 Specialist Witness**

4.6.1 The specialist witness category broadly includes individuals who did not necessarily observe any circumstances that suggest possible misconduct but they may possess information relevant to the matter. This includes, for example, individuals who can

explain standard procedures that should have been followed or simply can provide background material useful to understanding the operational context.

## **4.7 Subject Interviews**

4.7.1 Subject interviews are required to ensure that anyone who may later be implicated in possible wrongdoing has the opportunity to provide information that may be exculpatory or mitigating. However, subject interviews are not interrogations designed to secure a confession. The subject interview essentially places the subject in a position of a witness to the circumstances that are at issue, but since, unlike a witness, the investigation may lead to a decision that negatively affects the subject, the interviewing method must include additional fairness requirements. Hence, once a person is identified as a subject of an investigation then he or she must be advised of this status at the latest during the interview.

## **4.8 Fairness**

4.8.1 The investigator has an obligation towards interviewees during the preliminary fact finding investigations. In particular, before conducting any interview the investigator must inform the interviewee of:

- the identity and function of the individual(s) conducting the interview;
- the investigation process and possible consequences of an investigation;
- the authority to conduct investigations and the duty to co-operate;
- the obligation of confidentiality for both interviewer and the interviewee.

## **4.9 Specific and Sweep Interviews**

4.9.1 It may be appropriate to conduct sweep interviews of potential general witnesses and subject witnesses. Sweep interviews are carried out to cover a group of witness whereas specific interviews are carried out to cover specifically identified individual witnesses.

## **4.10 Interview Model**

4.10.1 The PEACE model is a UK Home Office approved model for investigative interviews with witnesses as well as suspected persons. It promotes proper planning and a structured approach.

### **4.10.2 PEACE stands for:**

#### **Planning and Preparation**

Before the interview the investigator considers:

- the objective for the interview;
- the established facts and what other witnesses have said;
- a formal plan for the interview.

### **Engage and explain**

At the start of the interview the investigator will need to:

- encourage the person to talk and create the right atmosphere;
- explain the structure of the interview and what will happen.

### **Account, Clarification and Challenge**

During this phase of the interview the investigator will:

- Get the person to relate what happened – obtaining an uninterrupted account;
- Review the account and get the person to expand on it;
- Clarify aspects of the account and where necessary get the person to expand on it;
- Obtain confirmation that record of questions and answers is accurate record of the conversation that took place;
- Obtain a statement from the person if appropriate.

### **Closure**

At the end of the interview the investigator will:

- Tell the person what will happen next;
- Provide contact points.

### **Evaluation**

After the interview the investigator should:

- Review the record of the interview;
- Consider further enquiries regarding the information provided;
- Evaluate the success of the interview.

Please see proforma PEACE based interview plan at **Appendix 3** and further guidance on interviewing at **Appendix 4**.

## **4.11 Interview Participants**

4.11.1 An interview is limited to the investigator, a corroborating witness identified by the investigator, an interpreter (if required) identified by the investigator and the witness or subject being interviewed, counsel or a support person during the interview. Provisions may be made for the presence of a third party in circumstances when an interview participant has special needs.

## **4.12 Recording Testimonial Evidence**

4.12.1 All information received from interviewees must ultimately be reduced to writing. There are standard means to satisfy this requirement:



- **Record of Questions and Answers (Q&A):** detailed, but not necessarily verbatim, account of the questions asked and answers received from the interviewee, who will be invited to sign the record to confirm that he or she is satisfied that it is an accurate record of the conversation that took place.
- **Statement:** a written statement of the interviewee's account or response to general questions which may be prepared and signed by the interviewee.

Please see Record of results of interview proforma at Appendix 5.

4.12.2 Under normal circumstances interviews will not be audio/visual recorded. However, in exceptional cases this may be required and is a matter of discretion for each investigator. The verbatim transcript of a recording must be completed and presented to the interviewee for review and signature. An audio/visual recording may not be taken without the interviewee's knowledge. An interviewee is not entitled to bring their own equipment to record their interview.

## **4.13 Documentary Evidence**

### 4.13.1 Administrative records (including personnel records)

4.13.1.1 Administrative records and personnel records provide information regarding leave and absences and claims.

### 4.13.2 Procurement records

4.13.2.1 Procurement transactions are required to be well documented through the process of requisition, approval and purchasing.

### 4.13.3 Financial records

4.13.3.1 Internal financial records provide extensive details of transactions, administrative decisions and subsequent actions. The financial records may provide direct evidence of financial impropriety as well as indirect evidence regarding a particular transaction.

### 4.13.4 External: Public and Private Records

4.13.4.1 There is a wide variety of information available from public and private sources. This includes matters of public record within official registers including articles of incorporation, birth and marriage certificates. Local media may have information also.

4.13.4.2 Private information sometimes is available upon request. Individuals and companies may readily offer documents and records to assist with investigations. These may include sample invoices from vendors and personal records offered by an individual or

his or her agent. Unlike public information that can be readily researched without any particular knowledge, private information must be specifically requested from the holder. Nevertheless, the request for information ought to be made if relevant to the investigation.

#### 4.13.5 Originals or copies

4.13.5.1 Documents may be collected as originals or copies. Generally, a copy is sufficient, but original documentation should be obtained where:

- The original may be required in subsequent civil or criminal proceedings
- Forensic or handwriting analysis is anticipated
- There is a risk that the original may be tampered with at a later stage
- The original may be difficult to obtain at a later stage, e.g. departing witness.

#### 4.13.6 Location/Availability of Documents and Records

Often arrangements may be made to secure and even obtain documents and records very early in an investigation. When requesting documents to be secured or delivered confidentiality of the process and the information must be considered. In addition, the handling of such documents and records should be consistent with standard investigation requirements.

#### 4.13.7 Other Sources

Telephone records, including land lines and mobile telephones, are generally available from responsible technical departments and occasionally from administration departments dealing with payment of local telephone services.

Official facilities may maintain video surveillance systems for security.

Electronic key card entry logs identify entry and often exit of a card assigned to identified individuals. This data usually is available from the relevant security department and can be used to establish timelines or corroborate attendance of an individual.

### **4.14 Physical Evidence**

4.14.1 It may be impractical to take physical evidence away, for example, because of its size or immovability and other approaches have be considered. This may require securing an objection-situ but would more likely require that the evidence be photographed. In some cases, a diagram of a scene may be necessary.

## **4.15 Evidence Handling**

4.15.1 There is a requirement for a detailed inventory of evidence collected with the signature of the receiving officer, with a copy of the inventory provided to the individual from whom the evidence was obtained. To preserve the integrity of evidence, it must be recorded in a manner that can be used for authentication and attribution through a clear chain of custody.

4.15.2 Chain of custody simply is the paper trail showing the collection, custody, control, transfer, analysis, and disposition of certain types of evidence.

Please see the proforma evidence log at Appendix 6 and the proforma record of the results of documentary evidence testing at Appendix 7.

## **4.16 Internal Legal Framework**

4.16.1 It is very important to understand the workings and requirements of the audited body's internal legal framework which may include Administration Tribunals and Disciplinary Committees.

## **4.17 Techniques for Collecting Evidence**

There are numerous techniques for collecting forensic audit evidence. These techniques build on contemporary audit techniques and include differences and characteristics that especially enable them to acquire evidence that can be used in a judicial proceeding.

### **4.17.1 Document Examination and Analysis Techniques**

4.17.1.1 Obtaining, reviewing, and carefully analyzing files or other records can uncover information that can shorten the audit/investigative work. An audit/investigation requires a thorough professional examination and analysis of all specific records and other documents associated with the suspected fraud. The purpose is to:

- a. Prove the extent of the loss,
- b. Establish the cause of the loss and the methods used, and
- c. Identify responsibility and possible knowledge of guilt.

This examination and analysis should cover all:

- a. Records of movements of assets or information during the period under investigation.
- b. The correspondence relating to these movements.

- c. Formal records handled by suspects.
- d. Private or informal records within the control of the suspects.

#### **4.17.2 Examining Documents for Alterations**

**4.17.2.1** All relevant documents should be reviewed and analyzed by the auditors/investigators for irregularities. Documents are routinely altered to cover up or facilitate the commission of a fraud. Accordingly, the process of analyzing all relevant documents and records should focus on uncovering possible evidence of document alteration, manipulation, and forgery. Document alteration, manipulation, and forgery can take many recognizable forms including:

- a. Changed numbers, and erased or crossed out figures,
- b. Inconsistent inks, typefaces, and handwriting,
- c. The re-use, duplication, and writing-over of old documents,
- d. Edited and retyped pages in documents,
- e. Defaced documents,
- f. Forged approvals and signatures.

#### **4.17.3 Detecting Forged Documents**

4.17.3.1 Every auditor or investigator is not expected to be an expert in document examination. Audit organizations that conduct forensic audits should have access to the services of an expert document examiner, or include someone on the staff that is trained in that expertise. However, all auditors should be familiar with the techniques for recognizing documents that may have been forged, altered, or manipulated. The most common techniques used to detect documents that may have been forged include:

- a. **Signature forgeries.** Signature forgeries are recognized by irregularities in the written letters and differences in size from a genuine signature.
- b. **Free-hand forgeries.** Free-hand forgeries occur when the subject signs the name of another person without ever having seen a sample of the other's signature.
- c. **Auto-forgeries.** Auto-forgeries occur when an individual disguises his or her signature so that he or she, the one who signed the document, can attempt to deny having signed the questioned document. This type of forgery may be detected by examining each of the letters in the auto-forgery for

similarities with the subject's signature, as well as the positioning, slant, or angling of the signature, and the pressure applied when the document was signed.

- d. **Simulated and traced forgeries.** Simulated and traced forgeries can be detected by superimposing two signatures in front of a light. If they are identical it is likely a forgery. Indentations and ink transfers from the tracing may be present.
- e. **Substitute pages.** Substitute pages can be recognized by holding the suspect pages in front of bright light and observing differences in whiteness, density, thickness, opacity, and fiber patterns.
- f. **Ink differences, alterations, and erasures.** Ink differences, alterations, and erasures on paper can be recognized by holding paper in front of a bright light, or holding a light over the writings at differing angles. Reducing the light in a room and then holding a narrow-beam light low and parallel to the page surface can reveal indentations and other irregularities.
- g. **Counterfeit documents.** Counterfeit documents can almost always be recognized by comparison with the genuine documents.

The very act of altering a document may be sufficient evidence to demonstrate intent on the part of the individual suspected of committing fraud.

#### **4.17.4 Laboratory Analysis Techniques**

4.17.4.1 Laboratory analysis usually requires access to laboratory facilities and professional laboratory technicians. Few audit organizations have either the facilities or the expertise to perform a laboratory analysis. In that regard they must depend on the services of independent laboratories and technicians, or in the case of the government, access to government laboratories and technicians.

Laboratory analyses conducted by competent laboratories have been used successfully in testing the quality of vendor's products, in testing construction materials, and in food, water, and air quality testing. Laboratory analysis is often used to test disputed documents to determine whether they were forged or otherwise altered.

In computer fraud cases, forensic evidence may be required from expert witnesses in testifying to the intricacies of computer hardware or software and the forensic techniques used to gather computer related evidence.

#### **4.17.5 Observations and Surveillance Techniques**

The objective of any observation or surveillance is to visually see and hear precisely what occurs or what exists at a given point in time, and to record what happens, what does not happen and what is seen and heard or not seen or heard. It can be tedious and boring and, sometimes can be dangerous. These techniques can be an effective manner of collecting physical evidence.

##### **4.17.5.1 Observations**

An observation is a usual forensic audit technique. The auditor selects or determines the activity or location that must be observed and then arranges to observe it in an inconspicuous and in an unobtrusive manner as is possible. Care must be taken to assure that the presence of the observing auditor does not interfere with the way the activity being observed is being conducted.

The auditor then records and documents the observations made exactly as they took place and as they were being observed. Time, length of observation, place, weather conditions, the manner of observation, and any other pertinent information that would be a part of the documented observation. Photographs, drawings, and video and audio recordings help enhance and document observations.

So, for example, the auditor may decide that an observation of construction activities, specifically the number of construction workers working at the site, is appropriate. Or, the auditor may decide that the manner in which a particular construction technique is being performed should be observed.

##### **4.17.5.2 Surveillance**

Similar to observations, there are many techniques available to match varying surveillance requirements. Many of the basic techniques are simple, are not especially dangerous and can be adopted without specific training or prior experience. The more sophisticated techniques involving remotely controlled video recorders, and infrared cameras may require specialist skills.

It is critical to select participants for surveillance with great care, particularly for their suitability for a particular surveillance. It is important to define precisely the area or the activity or person that will be placed under surveillance, why the surveillance is necessary, and the length of time the surveillance will take place.

So, for example, an auditor may decide that surveillance should be conducted of the activities of someone responsible for inspecting construction materials to determine how inspections are carried out. Or the auditor may decide that a surveillance should be conducted, not only of the way inspections are being carried out, but also to determine the nature of the relationship the inspector has with the supplier of the materials, as well as the inspector's lifestyle. Each surveillance objective requires different surveillance techniques and different resources.

As with an observation, the results of each surveillance must be carefully and accurately documented.

#### **4.17.6 Interview Techniques**

4.17.6.1 All the evidence needed to demonstrate that a fraud may have been perpetrated will not necessarily be in documentary, physical, or analytic form. Testimonial evidence obtained from subjects, witnesses, and others can contribute substantially to the investigation. Information will usually be required from witnesses, subjects, and others to place the documentary, physical, and analytic evidence in an appropriate perspective. In addition testimonial evidence is vital in corroborating and verifying the integrity of the other forms of evidence already obtained.

Auditors/investigators must be familiar with the interview technique and highly proficient in its use. A successful audit, especially a forensic audit cannot usually be conducted without the extensive use of interviews. Much of the evidence gathered in a forensic audit/investigation originates with interviews.

#### **4.18 When Investigation Begins**

4.18.1 When a conclusion, based on competent, relevant, and sufficient audit evidence is reached after proper consultation that the probability of fraud exists, the auditor could decide to initiate detailed investigation. However, in taking such decision the following matters should be considered:

- Terms of reference for the investigation.
- Specific issues and matters to be examined in depth.
- Evidence required.
- Identification of functional areas and key staff to be involved.
- Identification of specialist expertise or support required.
- Expected costs and time period for the investigation.
- Milestones, key review points and report-back dates.
- Possible outcomes.

All audit/investigative plans should be documented in writing and retained as a part of the audit/investigative file.

## **4.19 Formulation of Investigative Questions**

4.19.1 Each complete forensic audit/investigation must address certain specific issues. Formulating them as questions, and then collecting evidence through a variety of other audit/investigative techniques is a method of answering those questions. These investigative questions are:

- Were improper practices or inappropriate behaviors engaged in or otherwise carried out? Evidence must be collected to demonstrate that improper practices, such as the violation of a law or regulation, or the non-compliance with a contract's terms, were carried out.
- Were these improper practices or inappropriate behaviors carried out intentionally? Evidence must be collected to demonstrate that the improper practices were carried out intentionally and not accidentally or unwittingly.
- Were these improper practices or inappropriate behaviors carried out through the misrepresentation of material facts in order to deceive? Evidence must be collected to demonstrate that the improper practices were carried out by misrepresenting facts that influenced a decision, or modified a behavior.
- Did the victim rely on these misrepresentations? Evidence must be collected to demonstrate that the victim had the right to rely on these improper practices to make a decision or take an action.
- Did the improper practice or inappropriate behaviours result in injury or damage? Evidence must be collected to demonstrate that the improper practices caused damage, harm, or some other injury.
- Did all parties to the improper transaction benefit? Evidence must be collected to demonstrate that the improper practices benefited the perpetrators, which they gained something from their improper behaviour.

Answers to these investigative questions should result in the accumulation of evidence. That accumulated evidence should permit conclusions to be drawn as to the probable commission of a fraud. Specifically whether:

- A material fact or facts were misrepresented,
- The misrepresentation was made knowingly and with the intent to deceive,



- The victim relied on the misrepresentation,
- Injury or damage resulted because the victim relied on the misrepresentation, and
- Parties to the improper transaction benefited.

These determinations will support the decision as to whether a referral to a judicial body for prosecution or for further investigation is warranted, and finally, whether the matter will eventually be litigated in court.

## 4.20 Conducting an Investigation

All investigation activity will be managed in the following sequence:

**4.20.1 Investigation Activity.** This is a logical process of information-gathering in respect of alleged misconduct by interviewing complainants, witnesses and subjects; seeking corroboration or rebuttal of alleged facts discovered within relevant records of the organisation including document archives, electronic or other tangible records and obtaining such other evidence as may be relevant to the investigation.

The results of the investigation are analysed and evaluated in the context of the relevant regulations to reach a determination known as ‘a finding’ of whether the allegation of misconduct appears to be substantiated or not.

**4.20.2 Conduct of an Interview.** The investigators will identify themselves, explain in general terms the nature of the investigation and explain the allegations that have been made. The name, current post and brief summary of the interview’s career in the organization, will be obtained.

The interview should be flexibly adapted in response to the behaviour of the interviewee and the information provided. If the interview is lengthy, reasonable comfort breaks will be offered and their acceptance or rejection noted.

The investigator will ensure that relevant records will be available for production at the interview. Any records produced by the interviewee will be retained and stored securely with other evidence.

The statement will be headed ‘Confidential and include details of the interviewees name, job title, brief introductory resume of their career within WIPO (if applicable). It will include an endorsement signed by the interviewee to the effect that the content is true and written in the knowledge that it may be used in the context of disciplinary proceedings.

The interviewee will be invited to sign and date the final version of the statement which will also be signed by the investigators.

If an interviewee refuses to review or sign a draft statement, the investigator will record the efforts made to achieve compliance and include the unsigned document together with any relevant audio transcript, within the report of the investigation.

**4.20.3 Audio and visual recording.** All subject interviews will be audio-recorded. Normally witness interviews will not be audio or visually recorded. However, in exceptional circumstances, the investigator may exercise his/her discretion to do so. The recording will be conducted openly with the knowledge of the witness. Where interviews are recorded, a copy of the recording will always be provided to the interviewee. The interviewee is not entitled to use personal recording equipment during the interview unless specifically authorised by the investigator.

The product of a recorded interview will be transcribed verbatim and if necessary translated. Recorded interviews with witnesses may be used to prepare a draft statement for review and signature by the interviewee.

**4.20.4 Witnesses.** Where possible witnesses will be interviewed before a subject. Due diligence must be taken to research all potential witnesses to identify any reasonable suspicion of complicity in misconduct before an interview is actually undertaken. If a reasonable suspicion is so identified, the individual must be treated as a subject and put on notice of that fact before the interview. Whether the initial information is received from a complainant, a witness including a 'whistle-blower' or a third party without direct knowledge of the alleged misconduct, the investigator will conduct an interview and record the facts in a detailed signed statement at the earliest opportunity to accurately record the relevant facts. Other witnesses identified should be prioritised for interview having regard for the potential significance of the information they possess, their availability and any logistical needs.

**4.20.5 Subjects.** A subject will be treated to the same standard of respect and transparent fairness during interview as any other witness.

**4.20.6 Notification to Subject.** When a person is identified as a subject they will be notified in writing of the alleged misconduct and will be requested to attend an interview and provide any information which may be exculpatory or mitigating. Normally interviews

with a subject will take place after available witnesses have been interviewed, to enable the subject to provide exculpatory or mitigating information "on the gathered evidence". A subject may identify further witnesses or indicate where further records can be found. The investigator must note full details of additional potential, exculpatory information and if necessary, seek the assistance of the subject to ensure reasonable access. The investigator will subsequently take appropriate action to interview all persons so named and to discover and secure the identified records.

## 5. REPORTING

### 5.1 Introduction

5.1.1 Reports generally outline the facts established through investigations, formulate findings and conclusions, and, where necessary, make appropriate recommendations.

### 5.2 Report Structure, Format and Style

5.2.1 Reports must be designed to ensure stylistic and editorial consistency and must be:

- factually correct
- impartial and objective
- concise, clear and complete
- logically organized.

5.2.2 Reports should contain short and direct sentences. Concise headings and sub-headings should be used to lead the reader through reports. They should be presented in straightforward, grammatically correct language, avoiding the use of unnecessary, obscure, and confusing expressions or adjectives. Images and charts may be used to demonstrate issues. To protect confidentiality of sources and victims, their names may be replaced by descriptors.

5.2.3 High quality reports require factual accuracy. Hence, each piece of evidence relied upon in a report must be supported by documentation in the investigation evidence file.

5.2.4 Analysis paragraphs should be used to present the facts and no speculation should be included. The facts should be allowed to speak for themselves.

5.2.5 Reports should be responsive to the need of the intended recipients. Consequently, recommendations should be practical and address any matters identified during the course of the investigation.

5.2.6 To meet reporting obligations, it is possible to issue a number of different types of standard reports, namely-

- **Closure Report:** Designed to record the investigation methodology and facts established for a conclusion that an investigation report is not warranted as the evidence obtained does not substantiate the suspected wrongdoing and accordingly the investigation is considered closed.

- **Contingent Report:** Designed to report the facts revealed through a preliminary fact-finding inquiry.
- **Investigation Report:** Designed to report the findings of the investigation. The report must include all evidence that might be required and has a restricted circulation.

Please see Annex 8 for an Investigation report template.

- **Advisory Report:** Designed to inform managers about weaknesses in administrative or operational policies which could affect their areas of responsibility.

5.2.7 Advisory reports are used to inform relevant managers about weaknesses in administrative or operational policies which could affect their areas of responsibility. This may include management, procedural or other issues that may arise during an investigation but are not part of an investigation or contingent report. They may also be used to identify high-risk areas for fraudulent or related practices detected through the analysis of systems control and processes.

5.2.8 Advisory reports generally describe the circumstances which led to the detection of the problem and make recommendations to the relevant programme managers concerning the identified risk areas. Recommendations will generally be focused on preventing harm to the audited body and may include:

- consideration of lessons learned;
- development of best practices; and
- recognition of trends, for the overall improvement of office policies, internal controls and management practices.

5.2.9 Advisory reports generally do not address the conduct of individuals and they are submitted to relevant managers and internal audit.

### **5.3 Fairness during the Report Writing Stage**

5.3.1 There are responsibilities regarding the administration of internal justice in the audited body and this generally relates to ensuring the appropriate processes or 'due process' is followed.

5.3.2 Fairness during the report writing stage means that those interviewed as subjects are offered the opportunity to respond within a stipulated timeframe on the draft investigative details which support conclusions of possible wrongdoing.

5.3.3 Specifically, subjects are invited to provide additional information or evidence they deem relevant and are also afforded the opportunity to comment on the accuracy of facts in the draft investigation details. Such responses are annexed to investigation reports.

## **5.4 Confidentiality of Reports**

5.4.1 Investigation reports contain confidential and sensitive information. Disclosure of such information may be detrimental to the audited body's proper functioning and the welfare and safety of its staff or third parties or may violate the legal obligations of the OCA. Reports must be treated accordingly.

## **6. REFERAL**

### **6.1 Introduction**

6.1.1 A clear process for referring matters to the appropriate investigating authority is required.

In addition, referring matters to external authorities requires procedures to meet standards of confidentiality, proper information handling and effective administrative management.

### **6.2 Referral procedures**

6.2.1 Not all matters received, or even predicated for investigation, remain with the initial investigation authority. Matters may, therefore, be referred by that initial authority to another for a variety of reasons including:

- another internal unit;
- an external body, i.e., an “organization” or a national authority that has the mandate to investigate the matter; (please see paragraph 6.3 below)
- the matter concerns management related issues that do not require investigation.

6.2.2 Matters that are referred typically are subject to a systematic process of follow up action to ensure proper disposition of the matter by the appropriate authority.

### **6.3 Collaboration with National Authorities**

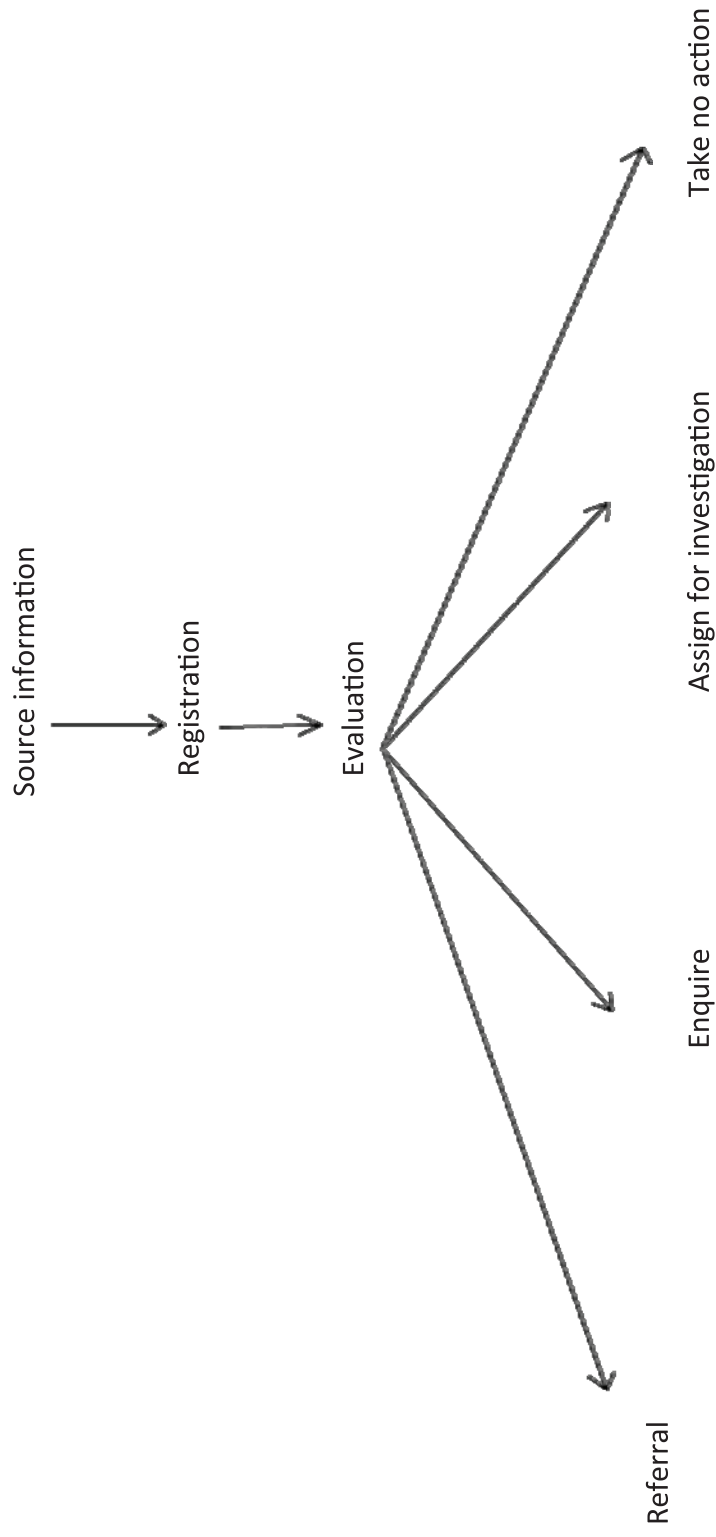
6.3.1 Matters referred to national authorities typically involve possible criminal conduct. For this OCAG and other national authorities may develop cooperation among themselves.

## **Appendix**



## APPENDIX 1

### Receiving and evaluating source information which may lead to an investigation



Risks and resources are a key consideration in the evaluation process.

Office of the Comptroller and Auditor General

Investigations Manual

**AUDIT- IN-CONFIDENCE**

**Investigation work Plan**

<b>A. Investigation Calendar/Timeline</b>				
<b>Event</b>	<b>Description</b>	<b>Target Date</b>	<b>Date</b>	<b>Comments</b>
1	Source information received			
2	Registration of source information received			
3	Evaluation of source information received			
4	Assignment for investigation			
5	Legal advice obtained where required			
6	Client notified and any support required requested			
7	Documentary evidence preserved (see section B below)			
8	Remedial measures taken where required (such as the suspension of employees)			
9	Documentary evidence tested			<b>Documentary evidence log and Record of results of testing to be completed.</b>
10	Interview 1, 2, 3 etc ( <b>Interview plans</b> and <b>Record of Interview</b> to be completed)			Witness types = subject witness, specialist witness and general witness
11	Analysis of evidence obtained from documentation and interviews			
12	Drafting and clearance of investigation report			
13	Submission of investigation report			

14	Drafting and clearance of advisory report			
15	Submission of advisory report			

**B. Preservation of evidence**

Source of evidence	Means of securing evidence (This may include arranging for original certified copies of documents and records to be held in a safe. Evidence is to be secured expeditiously as possible including by 'surprise visits' as far as possible and as far as appropriate).	Comments
<u>Documentary evidence</u> (This may include, for example invoices, contracts and stock records).		
Type 1		
Type 2		
<u>Testimony</u> (This is the testimony obtained from witnesses from formal recorded interviews).		
Witness 1		
Witness 2		



<b>Investigation team</b>			
Team member 1			
Team member 2			
<b>Other</b>			
Client (It is important to establish who is required to provide support from the client).			
External Experts (It is important to establish the availability of any external experts such as IT experts required).			

**Interview plan**

Investigation Reference	Interviewee	Date/Location
Issues		
Interview purpose		
Established facts		
Key topics and questions to be covered*          The record of interview should be		
Interviewing officers and other participants  Interviewing officer 1:  Interviewing officer 2:  Other participants:		

\* Before conducting any interview the investigator must inform the interviewee of:

The identity and function of the individual (s) conducting the interview	
The investigation process and possible consequences of an investigation and if the interview is a subject interview. (The latter provide anyone who may be implicated in wrongdoing to provide information that may be exculpatory or mitigating)	
The authority to conduct investigations and the duty to co-operate	
The obligation of confidentiality for both interviewer and the interviewee	

## **Further guidance on interviewing**

### **Further guidance on interviewing**

Opening the interview/conducting the interview/closing the interview.

### **Opening the interview**

#### **BUILDING RAPPORT**

In any investigative interview it helps to have an understanding between the interviewer and interviewee. To establish working relationships interviewees should be treated as individuals. Interviewees are human beings not answering machines. The aim is to create an atmosphere in which the interviewee will want to talk. A working relationship may be established by acting in a professional and considerate manner by, for example, keeping the person informed of what is happening and ensuring the interviewee receives refreshments if appropriate.

#### **EXPLAINING THE INTERVIEW PROCEDURES**

It is important to explain the purpose and procedure for the interview at the beginning of the interview with reference to the interview plan. It is important to explain confidentiality.

#### **PERSONALISING THE INTERACTION**

It is important for the interviewer to introduce themselves and to find out how the interviewee would like to be addressed. Using their preferred name helps to demonstrate respect for them as an individual. During the interview it is up to the interviewer to convey to the interviewee that the interviewer is genuinely interested in the interviewee's comments. Maintaining eye contact, using non-verbal signs of encouragement, effective listening and summarising all help to demonstrate interest.

#### **ADOPTING AN APPROACHABLE STYLE**

The interviewer should adopt an approachable style and where possible remove any barriers to communication.

The interviewer's facial expressions, the way they are seated and their actions with pens, paper and files may all give impressions to the interviewee. Such signals if taken negatively will not encourage an interviewee to participate in the interview. Adopting an



approachable, confident and straightforward manner will maximise the interviewer's chances of obtaining accurate and reliable information.

In short, the interviewer should treat interviewees in the way they would wish themselves, their family or friends to be treated.

### **Conducting the interview**

Having engaged the interviewee in conversation and explained what is expected of them the interviewer must obtain the fullest account they may provide.

### **Account, clarify, challenge**

The PEACE model of account, clarification and challenge provides a number of key stages to go through to obtain an accurate and reliable account for each question asked and the interview as a whole. They are:

- obtaining the interviewee's own uninterrupted account;
- expanding and clarifying the account;
- challenging the account if necessary.

It is very important not to fill in pauses whilst an interviewee is providing their account and it is very important never to accept a 'thin account' which lacks detail.

It has been estimated that it is possible that as little as 2% of 'what has happened' is captured in the record of the testimony of a witness. This is attributable to a number of factors including editing and selective and divided attention. To reduce the risks here there ought to be two interviewers and one of the two ought to be assigned the role/responsibility of taking notes.

### **Types of interview questions-**

There are four good types of question to use in interviews: open, closed, probing and echo type questions. Each has a different purpose as described below:

- **open** – used to obtain a full account using for example questions such as 'Tell me about', 'Explain', 'Describe' (known as 'TED');
- **closed** – used to obtain confirmation or clarification using for exam questions that require yes or no answers';
- **echo**–used to clarify or challenge by taking a specific word or phrase and repeating it with a question mark attached;
- **probing** – used to get to the heart of the matter.

Four types of question to try to avoid in interviews are multi-headed, leading, hypothetical and rhetorical questions:

- Multi headed – too many questions asked at once may be confusing;
- Leading – too biased;
- Hypothetical - too speculative;
- Rhetorical – too vague.

One way of challenging the account is to break up the account to disrupt rehearsed memory. For example, using this approach once the interviewees own uninterrupted account has been obtained the interviewer would ask questions first regarding the end of the account.

### Listening skills

Listening is not a passive activity. The interviewer must actively process the information provided including assessing in REAL TIME how the information provided affects the interview plan prepared questions. Active listening helps the interviewer establish and maintain rapport.

Whilst listening it is important to keep up eye contact and use non-verbal prompts such as nodding of the head.

Listening to what is not said is also very important too.

### Deceptive communication

There are three forms of deceptive communication (or lying):

- **active deception** : representing an untruth as the truth
- **passive deception** : evasion (this is the biggest part of lying)
- **non-specificity** : vagueness (not outright misrepresentation but not Outright evasion either)

Deception may be reduced by identifying and rectifying anomaly.

### Anomaly

There are a number of possible forms of anomaly in a witnesses account including:

- thin (short superficial) account
- missing detail
- gaps
- jumps
- sidestepping.

The interviewer should check for these whilst listening and use the 'clarifying' and challenge steps of the interview to take rectifying action.

### **Body language - signs of deception**

There are a number of potentially significant transient changes in behaviour sometimes referred to as 'body language' which may be signs of deception including blushing, swallowing, sweating, laughing and crying. However, these are very difficult to interpret and ought to be treated with circumspection in assessing the truthfulness of an account.

### **Quality of evidence required**

What is sufficient evidence is a judgement based on the circumstance of a case. There are two widely recognised standards of proof: (1) balance of probability, and (2) beyond reasonable doubt. Evidence ought to be collected with reference to these standards especially as the evidence may be used for a disciplinary matter or take forward a prosecution.

### **Balance of probability and beyond reasonable doubt**

The standard of proof may be loosely defined as the evidence that must be presented before a Court before a fact can be said to exist or not exist. As the type of cases before a Court may be classified into criminal or civil so may the standard of proof. The standard of proof to be followed in a criminal case is that of 'beyond reasonable doubt' whereas the standard of proof lowers to the 'balance of probabilities' in cases of civil proceedings.

Different standards of proof are constructed seemingly to, among other things, minimize the high social costs that may arise on account of errors.

The standard used in criminal trial that is proof beyond reasonable doubt is viewed as requiring a high degree of satisfaction that the prosecution must through the evidence and materials it presents create in the mind of the Judge or the jurors. This high degree often leads to acquittal sometimes even when the authority trying the case feels that the guilt of the accused, based on the evidence, is more probable than his innocence. Even so, if the slightest doubt as to the guilt of the accused is created in the mind of the Court, he is given the benefit of the doubt and his innocence proclaimed. The basis of this is the general belief that the conviction of an innocent man as opposed to the acquittal of a guilty one is a fate more heinous which is why such an allowance is made in the first place. Also, in most cases the accused might not have at his disposal the kind of facilities that the prosecution can use to establish their version of events. This could also be one of the reasons behind the leniency awarded to the accused as regards the standard of proof to be upheld by the prosecution.

In explaining the standard of proof required in criminal cases the Courts have explained to juries that the doubt they are reflecting upon should be the kind might arise when the jury are themselves dealing with matters of importance in their own affairs (vis –a –vis everyday matters).

Broadly speaking, disciplinary hearings tend to require civil standards of proof whereas prosecutions require criminal standards of proof.

### **Closing the interview**

Ask the interviewee to read and certify the record of questions and answers and ask them if they would like to provide their own written statement and if they do make arrangements to obtain it.

It is important to remind them about the confidential nature of the interview.

It is important to thank the interviewee as a matter of courtesy but also to keep the rapport strong as there may be further questioning.

**Record of results of interview**

**AUDIT- IN-CONFIDENCE**

**Record of results of interview**

**Interview reference:**

**Questions**

**Answers**

<b>Q1</b>	<b>A1</b>	<b>Comments</b>
<b>Q2</b>	<b>A2</b>	
<b>Q3</b>	<b>A3</b>	
<b>Q4</b>	<b>A4</b>	
<b>Q5</b>	<b>A5</b>	
<b>Q6</b>	<b>A6</b>	
<b>Q7</b>	<b>A7</b>	
<b>Q8</b>	<b>A8</b>	
<b>Q9</b>	<b>A9</b>	
<b>Q10</b>	<b>A10</b>	

**I agree the answers recorded in the Answers column above provide an accurate record of the answers I provided in the interview.**

**Signed**

**Dated**

**Documentary evidence log**

**AUDIT- IN-CONFIDENCE**

**Documentary evidence log**

	Document requested and reference number	Date requested	Date obtained	Received by	Custody arrangements	Date returned	Received by	Comments
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								

**AUDIT- IN-CONFIDENCE**

**Record of results of testing of documentary evidence**

Documentary evidence log reference number	Document details (including type, description, reference number and date)	Testing carried out	Results of testing carried out	Comments
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

## Template for investigations report

### Marking

The report should be marked 'Strictly private and confidential' or an equivalent marking.

### Background

The report should be started by explaining what has led to the need for an investigation. This may be an allegation of wrongdoing.

### Terms of reference

The terms of reference for the investigation should be provided including who the terms of reference were agreed with and what the reporting arrangements are (including if a recommendation is required to be made).

### Scope of investigation

The sources of all information for the investigation should be provided including documents examined and witnesses interviewed.

### Chronology of events

The key events should be listed in chronological order by way of a summary of the investigation. It may be useful to provide the information in a table as illustrated below.

Date	Event	Evidence
		E.g. Documents
		E.g. Testimony

### Details of allegations or discrepancies or areas of risk under investigation

The allegations or discrepancies or areas of risk under investigation must be specifically set out and individually numbered.

### Evidence for and against the allegations or which explains the discrepancies

This is likely to be the longest part of the report.

For each numbered allegation or discrepancy or area of risk the evidence regarding each one should be provided.

Where it has not been possible to find any evidence this must be made clear by using a phrase such as 'I have not found evidence to support (or dismiss) this allegation'.



Any reference to the results of the checking of documentary evidence or to the record of an interview must be crossed reference to the copies of the same which are to be kept securely and separately to the report.

Where possible direct quotes from documents and interviews ought to be used.

No conclusions should be drawn at this stage.

### Conclusions

With reference to the findings draw appropriate conclusions. However, the facts must speak for themselves.

Where it is not possible to draw a conclusion for lack of evidence this must be stated.

This may be either because (i) the investigators could not get all evidence they would like to examine or (ii) the investigators have all evidence they would like to examine but there is not sufficient to say one way or the other.

### Recommendation

This concerns what ought to happen next. The investigation focuses on establishing the facts rather than deciding what should happen as a result of establishing those facts. However, the terms of reference may require a recommendation regarding any appropriate further action.

The report can be challenged if used to pursue further action and may be provided to the subject of the investigation. Hence, it is important that everything in it may be substantiated.

## Typical Approach to Forensic Accounting

### Typical Approach

Each forensic accounting assignment is unique. Accordingly, the actual approach adopted and the procedures performed will be specific to it. However, in general, many Forensic Accounting assignments will include the steps detailed below.

#### Meet with the client

It is helpful to meet with the client to obtain an understanding of the important facts, players and issues at hand.

#### Perform a conflict check

A conflict check should be carried out as soon as the relevant parties are established.

#### Perform an initial investigation

It is often useful to carry out a preliminary investigation prior to the development of a detailed plan of action. This will allow subsequent planning to be based upon a more complete understanding of the issues.

#### Develop an Action Plan

This plan will take into account the knowledge gained by meeting with the client and carrying out the initial investigation and will set out the objectives to be achieved and the methodology to be utilized to accomplish them.

#### Obtain the relevant evidence

Depending on the nature of the case this may involve locating documents, economic information, assets, a person or company, another expert or proof of the occurrence of an event.

#### Perform the analysis

The actual analysis performed will be dependent upon the nature of the assignment and may involve:

- calculating economic damages;
- summarizing a large number of transactions;
- performing a tracing of assets;

- performing present value calculations utilizing appropriate discount rates;
- performing a regression or sensitivity analysis;
- utilizing a computerized application such as a spread sheet, data base or computer model; and
- utilizing charts and graphics to explain the analysis.

**Prepare the report**

Often a report will be prepared which may include sections on the nature of the assignment, scope of the investigation, approach utilized, limitations of scope and findings and/or opinions. The report will include schedules and graphics necessary to properly support and explain the findings.

**Audit planning memorandum**  
**Office of the Comptroller and Auditor General, Bangladesh**  
Strengthening Public Expenditure Management Programme (SPEMP-B)  
(Management and Support Project Component 2)

Director General  
Local and Revenue Audit Directorate  
Audit Complex, Segunbagicha, Dhaka

**Subject: Audit Planning Memorandum for Fraud Prevention and Forensic Investigation Pilot Audit**

Sir,

In view of the OCAG's decision (Reference: OCAG's Memo No.: CAG/Audit/SPEMP-B Project/505(12)/1656, Date: 21.10.2013) to carry out an audit to pilot new fraud prevention and forensic investigation methodologies as developed as part of the Strengthening Public Expenditure Management Programme B (SPEMP B) project, a memorandum of Audit Plan is enclosed for your consideration and onward submission to OCAG for approval.

The audited bodies that have been selected for the pilot audit are the XXXXXX (XXXX) and the XXXX (XXXX).

Meanwhile, we have made some studies on the organizational structures & functions, internal controls, relevant budgetary allocations and expenditure statements of these two entities.

The pilot audit will comprise two key components. First, it will examine the operational effectiveness of the audited body's procedures to prevent and detect fraud. This is in line with the requirements of paragraph 27 of the Office of the Comptroller and Auditor General Audit Code which requires that 'Auditors should establish whether audited bodies have taken reasonable steps in relation to the limitation of the possibility of fraud.' For example, the operational effectiveness of the audited body's anti-fraud policy, fraud risk assessment including fraud risk register, fraud response plan, internal controls and fraud proofing arrangements for new systems will be examined.

Secondly, where the above procedures identify areas of a high risk of fraud or suspected fraud forensic focussed testing comprising the detailed inspection of accounting records and supporting documentation and interviewing of those concerned will be carried out to provide evidence for action to be taken if appropriate.

The pilot audit will be based on the guidance available in two newly prepared audit manuals (the Fraud Audit manual and the Investigations manual) and the pilot audit will be used to field test and refine the guidance as required.

The pilot audit team will comprise:

Team Leader

Mr. XXXXX, Deputy Director, Local and Revenue Audit Directorate

### Team members

1. Mr. XXXX , Deputy Director, Mission Audit Directorate
2. Mr. XXXX, DFC, Office of the Senior Finance Controller (Defence Purchase)
3. Mr. XXXX, A&AO (Reserve), OCAG
4. Mr. XXXX , A&AO (Reserve), OCAG

The pilot audit team will be supported by Mr. XXXX , the SPEMP-B senior national consultant and Mr. XXXX, one of the SPEMP-B international consultants.

A copy of draft audit planning package is attached which includes:

- A high level summary of the audit (Annex A)
- A summary of the fraud prevention and forensic investigation procedures (Annex B)
- The fraud prevention audit programme (Annex C)
- The forensic investigation work plan including a timetable and resources schedule (Annex D)
- A detailed task list (Annex E)
- An illustrative example of a fraud risk register (Annex F).

An illustrative example of the use of a fraud risk register has been attached as a fraud risk register is a key tool in preventing fraud and facilitates a resources to risk approach.

Other planning documents such as documentary evidence logs and interview plans are available from the pilot audit team for your inspection if required.

It is planned to report in an advisory report and an investigations report to the audited body by the end of June 20xx. The purpose of the advisory report is to make recommendations regarding any improvements required to fraud prevention procedures identified by the pilot audit.

A letter of engagement to the Secretary of the Ministry of Health and Family Welfare has been sent and it is expected that a meeting is going to be arranged soon with the officials of the audited body to explain our work and agree a timetable.

Your approval to the aforesaid proposal for Pilot Audit is respectfully requested.

Signed

Dated: Dhaka, 20 February 20XX

Memorandum



## AUDIT PLAN FOR XXXX &amp; XXXX

## HIGH LEVEL SUMMARY

SL	ITEM	DESCRIPTION
1	Audit Unit	a. XXXX (XXXX) b. XXXX (XXXX)
2	Audit Year	20xx-xx FY
3	Type of Audit	Fraud prevention examination and forensic investigation pilot audit.
4	Period of Audit	January- June 20xx.
5	Audit Approach	Examination of fraud prevention procedures and forensic investigation in areas of high risk.
6	Audit Methodology	Risk and systems and forensic based examinations using newly prepared draft Fraud manual and Investigations manual.
7	No. in Audit Team	5 (Five)
8	Audit Team	1. Mr. xxxx, Deputy Director, Team Leader 2. Mr. xxxxx, Deputy Director, Team Member 3. Mr. xxxx, Deputy Finance Controller, Team Member 4. Mr. xxxxx, A&AO (Reserve), Team Member 5. Mr. xxxx, A&AO (Reserve), Team Member
9	Supervision	Senior National & Foreign Consultant.
10	Chief Coordinator	Senior National Consultant.
11	Audit Objectives	<ul style="list-style-type: none"> <li>● To provide an advisory report and an investigations report to the audited body by June 2014.</li> <li>● To finalize the report for submission to the CAG</li> </ul> <p>The purpose of the advisory report is to make recommendations regarding any improvements required to fraud prevention procedures identified by the pilot audit. An investigation report shall contain the results of the detailed investigation carried out during the course of audit.</p>
12	Scope of Audit	Coverage of procurement/purchasing and stores.
13	Sampling	Judgmental
14	Risk	
	(a) High Risk	Purchase and Store Management
	(b) Medium Risk	Requisition and Supply
	(c) Low Risk	Accounts
15	Audit Program	
	(a) Program	See Annexes. The program will take place from 01/12/20xx to 30/06/20xx.
	(b) Meeting at Ministry	TBC
	(c) Inspection of Concerned Audited Bodies	a. XXXXX : 05/03/20xx- 20/05/20xx b. XXXX: 21/05/20xx- 10/06/20xx
	(d) Inspection	Time to Time

16	Preparation of Advisory Report and Investigations Report	May- June, 20XX
17	Quality Assurance Team	June, 20XX
18	Issue of Advisory Report and Investigations Report	June, 20XX
19	Finalize the report for submission to the OCAG	End of June, 20XX



**AUDIT PLAN FOR XXXX AND XXXX**

**ANNEXURE-B(1)**

**A SUMMARY OF THE FRAUD PREVENTION AND FORENSIC INVESTIGATION PROCEDURES**

SL	AREA	MANUAL	OBJECTIVES	PROCEDURES	COMMENTS
1	Examination of fraud prevention procedures	Fraud Manual (Annex 1)	To fulfill the requirements of paragraph 27 of the OCAG code which requires that: 'Auditors should establish whether audited bodies have taken reasonable steps in relation to the limitation of the possibility of fraud ...'	Carry out an <b>examination of audited body's procedures</b> to prevent and detect fraud using the attached summary schedule of procedures based on Annex 1 to the Fraud Manual.	To be made during audit
2	Forensic testing	Investigations Manual	To check for evidence of discrepancies which may indicate bid rigging/tendering irregularities.	Compare contract prices to market prices for a sample of high value contracts for significant discrepancies. Obtain market prices from market research including contacting suppliers. Examine supporting documentation and obtain testimony to obtain explanations for any discrepancies.	To be made during audit
3	Forensic testing	Investigations manual	To check for evidence of discrepancies which may indicate theft.	Check physical stock in hand against stock records for a sample of high value or attractive or portable stock items for significant discrepancies. Examine documentation and obtain testimony to obtain explanations for any discrepancies.	To be made during audit
4	Forensic testing	Investigations manual	To check for evidence of discrepancies which may indicate collusion in overcharging for deliveries of supplies.	Check invoices against contracts and orders and goods received notes for discrepancies. Examine documentation and obtain testimony to obtain explanations for the discrepancies.	To be made during audit

SL	AREA	MANUAL	OBJECTIVES	PROCEDURES	COMMENTS
5	Forensic testing	Investigations manual	To check for evidence of discrepancies that indicates collusion in receiving and supplying of materials to the users which may result in embezzlement	Check the invoices and receiving notes of the relevant units (Consuming Units)	To be made during audit
6	Forensic testing	Investigations manual	To check for evidence of mismatch between raw materials and finished goods in the production of medical supplies which may indicate the collusion in under production	Compare with the standard practices of production of the relevant products	To be made during audit
7	Forensic testing	Investigations manual	To check for evidence of discrepancies which may indicate collusion in overcharging for repairs of equipment.	Check the justification and authorization for repairs to the equipment for reasonableness. Examine documentation and obtain testimony to obtain explanations for any discrepancies.	To be made during audit

**AUDIT PLAN FOR XXXX AND XXXX**

**ANNEXURE-B(2)**

**A SUMMARY OF THE FRAUD PREVENTION AND FORENSIC INVESTIGATION PROCEDURES**

SL	AREA	MANUAL	OBJECTIVES	PROCEDURES	COMMENTS	Query No.
1	Examination of fraud prevention procedures	Fraud Manual (Annex 1)	To fulfill the requirements of paragraph 27 of the OCAG code which requires that: 'Auditors should establish whether audited bodies have taken reasonable steps in relation to the limitation of the possibility of fraud ...'	Carry out an <b>examination of audited body's procedures</b> to prevent and detect fraud using the attached summary schedule of procedures based on Annex 1 to the Fraud Manual.	To be made during audit	
2	Forensic testing	Investigations Manual	To check for evidence of discrepancies which may indicate bid rigging/tendering irregularities.	Compare contract prices to market prices or official estimates or previously purchased value for a sample of high value contracts for significant discrepancies. Obtain market prices from market research including contacting suppliers. Examine supporting documentation and obtain testimony to obtain explanations for any discrepancies.	To be made during audit	9, 10, 11, 14, 15, 30, 32, 45, 51, 52
3	Forensic testing	Investigations manual	To check for evidence of discrepancies which may indicate theft.	Check physical stock in hand against stock records for a sample of high value or attractive or portable stock items for significant discrepancies. Examine documentation and obtain testimony to obtain explanations for any discrepancies.	To be made during audit	17, 31, 40
4	Forensic testing	Investigations manual	To check for evidence of discrepancies which may indicate collusion in	Check invoices against contracts and orders and goods received notes for	To be made during audit	

SL	AREA	MANUAL	OBJECTIVES	PROCEDURES	COMMENTS	Query No.
			overcharging for deliveries of supplies.	discrepancies. Examine documentation and obtain testimony to obtain explanations for the discrepancies.		
5	Forensic testing	Investigations manual	To check for evidence of discrepancies that indicates collusion in receiving and supplying of materials to the users which may result in embezzlement	Check the invoices and receiving notes of the relevant units (Consuming Units)	To be made during audit	
6	Forensic testing	Investigations manual	To check for evidence of mismatch between raw materials and finished goods in the production of medical supplies which may indicate the collusion in under production	Compare with the standard practices of production of the relevant products	To be made during audit	
7	Forensic testing	Investigations manual	To check for evidence of discrepancies which may indicate collusion in overcharging for repairs of equipment.	Check the justification and authorization for repairs to the equipment for reasonableness. Examine documentation and obtain testimony to obtain explanations for any discrepancies.	To be made during audit	29
8	Forensic Testing	Investigation Manual	To check for evidence of the loss of Govt. Revenue.	Check the Bills, Vouchers for examining whether the VAT & Income Taxes have been deducted according to Govt. Rules & Regulations	To be made during audit	7, 20, 25, 27
9	Forensic Testing	Investigation Manual	To check for evidence of misuse of govt. money.	Check the procurement plan, sanction, necessity of items, requisitions and infrastructural facilities which is essential for installing up the machineries.	To be made during audit	18, 34, 35,37, 39, 47, 48, 49, 50
10	Forensic Testing	Investigation Manual	To check for evidence of discrepancies which may indicate fraud.	Check the conditions of contract. Verify the works/services have been done or not.	To be made during audit	10, 33, 38

## AUDIT PLAN FOR XXXX AND XXXX

## A SUMMARY OF THE FRAUD PREVENTION AND FORENSIC INVESTIGATION PROCEDURES

SL	AREA	MANUAL	OBJECTIVES	PROCEDURES	COMMENTS
1	Examination of fraud prevention procedures	Fraud Manual (Annex 1)	To fulfil the requirements of paragraph 27 of the OCAG code which requires that: 'Auditors should establish whether audited bodies have taken reasonable steps in relation to the limitation of the possibility of fraud ...'	Carry out an <b>examination of audited body's procedures</b> to prevent and detect fraud using the attached summary schedule of procedures based on Annex 1 to the Fraud Manual.	To be made during audit
2	Forensic testing	Investigations Manual	To check for evidence of discrepancies which may indicate bid rigging/tendering irregularities.	Compare contract prices to market prices or official estimates or previously purchased value for a sample of high value contracts for significant discrepancies. Obtain market prices from market research including contacting suppliers. Examine supporting documentation and obtain testimony to obtain explanations for any discrepancies.	To be made during audit
3	Forensic testing	Investigations manual	To check for evidence of discrepancies which may indicate theft.	Check physical stock in hand against stock records for a sample of high value or attractive or portable stock items for significant discrepancies. Examine documentation and obtain testimony to obtain explanations for any discrepancies.	To be made during audit
4	Forensic testing	Investigations manual	To check for evidence of discrepancies which may indicate collusion in overcharging for deliveries of supplies.	Check invoices against contracts and orders and goods received notes for discrepancies. Examine	To be made during audit

SL	AREA	MANUAL	OBJECTIVES	PROCEDURES	COMMENTS
				documentation and obtain testimony to obtain explanations for the discrepancies.	
5	Forensic testing	Investigations manual	To check for evidence of discrepancies that indicates collusion in receiving and supplying of materials to the users which may result in embezzlement	Check the invoices and receiving notes of the relevant units (Consuming Units)	To be made during audit
6	Forensic testing	Investigations manual	To check for evidence of mismatch between raw materials and finished goods in the production of medical supplies which may indicate the collusion in under production	Compare with the standard practices of production of the relevant products	To be made during audit
7	Forensic testing	Investigations manual	To check for evidence of discrepancies which may indicate collusion in overcharging for repairs of equipment.	Check the justification and authorization for repairs to the equipment for reasonableness. Examine documentation and obtain testimony to obtain explanations for any discrepancies.	To be made during audit
8	Forensic Testing	Investigation Manual	To check for evidence of the loss of Govt. Revenue.	Check the Bills, Vouchers for examining whether the VAT & Income Taxes have been deducted according to Govt. Rules & Regulations	To be made during audit
9	Forensic Testing	Investigation Manual	To check for evidence of misuse of govt. money.	Check the procurement plan, sanction, necessity of items, requisitions and infrastructural facilities which is essential for installing up the machineries.	To be made during audit
10	Forensic Testing	Investigation Manual	To check for evidence of discrepancies which may indicate fraud.	Check the conditions of contract. Verify the works/services have been done or not.	To be made during audit

## AUDIT PLAN FOR XXXX AND XXXX

## FRAUD PREVENTION EXAMINATION AUDIT PROGRAMME

	Summary procedure	Fraud Manual reference	Response/Evidence	Comments
1	Check if there is a documented <u>overall assessment of fraud risk</u> .  Check if new operations are subject to <u>fraud proofing procedures</u> .	7.1.1		
2	Check if the areas most vulnerable to fraud identified and assessed? Is a <u>risk register</u> or an equivalent used?	7.1.2		
3	Check if the scale of fraud risks been assessed taking into account the strength of internal controls (an assessment of <u>likelihood and impact</u> to identify <u>high/medium and low</u> fraud risks).	7.1.3		
4	Check if an anti-fraud culture is promoted by various means (including a <u>statement of ethical values</u> , <u>promotion of staff awareness</u> of the risks of fraud and a <u>policy on the recruitment of staff</u> ).	8.1.1		
5	Check if the <u>ownership</u> of fraud risks has been assigned to specific managers.	8.1.2		

6	Check if <u>internal controls</u> have been established and implemented to prevent and detect fraud [focus on <u>procurement /purchasing and storekeeping</u> areas].	8.1.3		
7	Check if there are documented, dedicated and comprehensive internal <u>procedures to respond to incidences of suspected fraud/fraud</u> .	8.1.5		
8	Check if channels or <u>whistleblowing procedures</u> have been developed to record and report suspected fraud/fraud?	8.1.6		
9	Check if there is a system for <u>monitoring risk and internal controls</u> including the <u>implementation of remedial action</u> ?	8.1.7		
10	Check if there are procedures for <u>reporting fraud centrally</u> to the Ministry of Finance? [To enable them to forewarn and thereby forewarn other Government Departments].	8.1.8		



**AUDIT PLAN FOR XXXX AND XXXX**

THE FORENSIC INVESTIGATION WORK PLAN

<b>A. Investigation calendar/timeline</b>				
<b>Event</b>	<b>Description</b>	<b>Target date</b>	<b>Date</b>	<b>Comments</b>
1	Source information received	N/A	N/A	
2	Registration of source information received	N/A	N/A	
3	Evaluation of source information received	N/A	N/A	
4	Assignment for investigation	N/A	2/2014	Selected for pilot audit
5	Legal advice obtained where required	N/A	N/A	
6	Client notified and any support required requested	2/20XX	2/20XX	Letter of engagement provided
7	Documentary evidence preserved (see section B below)	3-6/20XX		
8	Remedial measures taken where required (such as the suspension of employees)	3-6/20XX		
9	Documentary evidence tested	3-6/20XX		<b>Documentary evidence log and Record of results of testing</b> to be completed.
10	Interview 1, 2, 3 etc ( <b>Interview plans and Record of Interview</b> to be completed)	3-6/20XX		Witness types = subject witness, specialist witness and general witness
11	Analysis of evidence obtained from documentation and interviews	3-6/20xx		
12	Drafting and clearance of investigation report	6/20xx		
13	Submission of investigation report	6/20xx		
14	Drafting and clearance of advisory report	6/20xx		
15	Submission of advisory report	6/20xx		

**B. Preservation of evidence**

Source of evidence	Means of securing evidence	Comments
<u>Documentary evidence</u>		
Contracts [SL 2 and SL 4]	Obtain own certified copy of original contracts.	<b>Evidence to be secured on a real time basis or a 'surprise' visit basis as far as possible and as far as appropriate.</b>
Stock records [SL 3]	Obtain a copy of stock records.	
Invoices [SL 4]	Arrange for invoices to be held in office safe or arrange to take originals or copies of invoices. Obtain a copy of the purchase ledger.	
Goods Received Notes [SL 4]	Arrange for Goods Received Notes to be held in office safe or arrange to take originals or copies.	
Authorisation for repairs [SL 5]	Arrange for authorisations to be held in office safe or arrange to take originals or copies.	
Equipment [SL 5]	Consider photographing equipment.	
<u>Testimony</u>		
Witness X	Check availability.	
Witness Y	Check availability.	
Witness Z	Check availability.	

**C. Documentary records**

<b>Records required</b>	<b>Period</b>	<b>Handling</b>	<b>Comments</b>
Contract	Current and preceding contracts.	Take own certified copy of the original contract.	
Invoices	For current and previous X months.	Examine in situ. Log using <b>documentary evidence log</b> and provide receipt for invoices obtained and agree arrangements for their return. (To meet 'chain of custody' requirements clearly identify when invoices were obtained and who had access to them).	
Stock records	See above	See above	
GRN	See above	See above	
Authorisations	See above	See above	
Equipment	N/A	Consider photographing	

**D. Resources**

<b>Personnel</b>	<b>Skills</b>	<b>Availability</b>	<b>Comments</b>
<b>Investigation team</b>			
1: Mr XXXXX	Investigations skills and knowledge of client.		Team leader
2: Mr XXXXX	Investigation skills		
3: Mr XXXXX	Investigation skills		
4: Mr XXXXX	Investigation skills		
5: Mr XXXXX	Investigation skills		
<b>Other</b>			
XXXX Director and Purchasing, Stores and Accounting teams	To provide support to the investigation team as required.		
XXXX Director and Purchasing, Stores and Accounting teams	To provide support to the investigation team as required.		
External Experts	To provide expert advice to the investigation team.		Senior National consultant and International consultant.

**AUDIT PLAN FOR XXXX AND XXXX**

**LIST OF TASKS**

Task number	Description of task	Task Co-coordinator (s)	Priority/target date for completion	Progress notes	Reference to working papers	Comments
1	Identify suitable audit body for pilot audit (and complete Understanding the Business documentation where appropriate).	The audit team in consultation with experts.	31 December 20XX	Completed.		The Central Medical Stores Depot (CMSD) and the Institute of Public Health (IPH) have been selected.
2	Assign tasks to the forensic audit team.	The audit team leader in consultation with experts.	31 December 20XX			
3	Assess the need for external specialist advice if required.	Team leader.	12 December 20XX	Completed.		To keep in view during fieldwork.
4	Collect planning data using UTB document and list of data to collect.	Team leader.	December 20XX - January 20XX			
5	Submit plan to DG Local Audit for approval.	Team leader.	20 February 20XX			
6	Prepare and despatch a Letter of Engagement and requesting a single point of contact for the audit.	The audit team in consultation with experts.	23 February 20XX	Draft letter prepared.		
7	Arrange an entry meeting with to discuss the audit with the audited body and agree dates for carrying out testing and reporting protocols.	Team leader and National Expert	- 05 March 20XX (XXXX) - 21 May 20XX (XXXX)			
8	Set up and maintain Issues log/make progress reports.	All	March – June 20XX			

9	Carry out testing of overall fraud risk assessment procedures.	TBA	March – June 20XX	Testing matrix	
10	Carry out testing of evaluation of scale of fraud risks.	TBA	March – June 20XX	Testing matrix	
11	Carry out testing of the development and promotion of an anti-fraud culture.	TBA	March – June 20XX	Testing matrix	
12	Carry out testing of assignment of specific responsibilities for the ownership of fraud risks	TBA	March – June 20XX	Testing matrix	
13	Carry out testing of the establishment of internal control procedures. [The focus will be on controls around purchasing and stock-keeping].	TBA	March – June 20XX	Testing matrix	
14	Carry out testing of anti-fraud training.	TBA	March – June 20XX	Testing matrix	
15	Carry out testing of responding to incidences of suspected fraud/fraud.	TBA	March – June 20XX	Testing matrix	
16	Carry out testing of procedures to report suspected fraud/fraud.	TBA	March – June 20XX	Testing matrix	
17	Carry out testing of procedures for monitoring risk and internal controls including the implementation of remedial action.	TBA	March – June 20XX	Testing matrix	
18	Carry out testing of procedures for reporting	TBA	March – June 20XX	Testing matrix	

	fraud to management and those responsible for governance.						
19	If the controls around purchasing and storekeeping are deficient carry out focussed forensic investigation to identify any discrepancies which may indicate fraud using the investigations manual for guidance.	All	March – June 20XX				
20	Compare contract prices to market prices for a sample of high value contracts for significant discrepancies. Obtain market prices from market research including contacting suppliers. Examine supporting documentation and obtain testimony to obtain explanations for any discrepancies.	All	March – June 20XX			Testing matrix	
21	Check physical stock in hand against stock records for a sample of high value or attractive or portable stock items for significant discrepancies. Examine documentation and obtain testimony to obtain explanations for any discrepancies.	All	March – June 20XX			Testing matrix	
22	Check invoices against contracts and orders and	All	March – June 20XX			Testing matrix	

	goods received notes for discrepancies. Examine documentation and obtain testimony to obtain explanations for the discrepancies							
23	Check the justification and authorization for repairs to the equipment for reasonableness. Examine documentation and obtain testimony to obtain explanations for any discrepancies.	All	March – June 20XX			Testing matrix		
24	Perform quality assurance review procedures for the audit.	Team leader/Experts	June 20XX					
25	Draft the investigation report	All	June 20XX					
26	Carry out quality review of the investigation report.	All	June 20XX					
27	Clear the investigation report.	All	June 20XX					
28	Issue the investigation report.	All	June 20XX					
29	Draft the advisory report	All	June 20XX					
30	Carry out quality review of the advisory report.	All	June 20XX					
31	Clear the advisory report.	All	June 20XX					
32	Issue the advisory report.	All	June 20XX					
33	Finalize the report for submission to the OCAG	All	End June 20XX					

**AUDIT PLAN FOR XXXX AND XXXX**

**LIST OF TASKS**

Task number	Description of task	Task Co-coordinator (s)	Priority/target date for completion	Progress notes	Reference to working papers	Comments
1	Identify suitable audit body for pilot audit (and complete Understanding the Business documentation where appropriate).	The audit team in consultation with experts.	31 December 20XX	Completed.		The XXXX (XXXX) and the XXXX (XXXX) have been selected.
2	Assign tasks to the forensic audit team.	The audit team leader in consultation with experts.	31 December 20XX			
3	Assess the need for external specialist advice if required.	Team leader.	12 December 20XX	Completed.		To keep in view during fieldwork.
4	Collect planning data using UTB document and list of data to collect.	Team leader.	December 20XX - January 20XX			
5	Submit plan to DG Local Audit for approval.	Team leader.	20 February 20XX			
6	Prepare and dispatch a Letter of Engagement and requesting a single point of contact for the audit.	The audit team in consultation with experts.	23 February 20XX	Draft letter prepared.		
7	Arrange an entry meeting with to discuss the audit with the audited body and agree dates for carrying out testing and reporting protocols.	Team leader and National Expert	- 05 March 20XX(XXXX) - 21 May 20XX (XXX)			



8	Set up and maintain Issues log/make progress reports.	All	March – June 20XX			
9	Carry out testing of overall fraud risk assessment procedures.	TBA	March – June 20XX		Testing matrix	
10	Carry out testing of evaluation of scale of fraud risks.	TBA	March – June 20XX		Testing matrix	
11	Carry out testing of the development and promotion of an anti-fraud culture.	TBA	March – June 20XX		Testing matrix	
12	Carry out testing of assignment of specific responsibilities for the ownership of fraud risks	TBA	March – June 20XX		Testing matrix	
13	Carry out testing of the establishment of internal control procedures. [The focus will be on controls around purchasing and stock-keeping].	TBA	March – June 20XX		Testing matrix	
14	Carry out testing of anti-fraud training.	TBA	March – June 20XX		Testing matrix	
15	Carry out testing of responding to incidences of suspected fraud/fraud.	TBA	March – June 20XX		Testing matrix	
16	Carry out testing of procedures to report suspected fraud/fraud.	TBA	March – June 20XX		Testing matrix	
17	Carry out testing of procedures for monitoring risk and internal controls including the implementation of remedial action.	TBA	March – June 20XX		Testing matrix	
18	Carry out testing of procedures for reporting fraud to management and those responsible for governance.	TBA	March – June 20XX		Testing matrix	

19	If the controls around purchasing and storekeeping are deficient carry out focused forensic investigation to identify any discrepancies which may indicate fraud using the investigations manual for guidance.	All	March – June 20XX			
20	Compare contract prices to market prices for a sample of high value contracts for significant discrepancies. Obtain market prices from market research including contacting suppliers. Examine supporting documentation and obtain testimony to obtain explanations for any discrepancies.	All	March – June 20XX		Testing matrix	
21	Check physical stock in hand against stock records for a sample of high value or attractive or portable stock items for significant discrepancies. Examine documentation and obtain testimony to obtain explanations for any discrepancies.	All	March – June 20XX		Testing matrix	
22	Check invoices against contracts and orders and goods received notes for discrepancies. Examine documentation and obtain testimony to obtain explanations for the discrepancies	All	March – June 20XX		Testing matrix	

23	Check the justification and authorization for repairs to the equipment for reasonableness. Examine documentation and obtain testimony to obtain explanations for any discrepancies.	All		March – June 20XX		Testing matrix	
24	Perform quality assurance review procedures for the audit.	Team leader/Experts		June 20XX			
25	Draft the investigation report	All		June 20XX			
26	Carry out quality review of the investigation report.	All		June 20XX			
27	Clear the investigation report.	All		June 20XX			
28	Issue the investigation report.	All		June 20XX			
29	Draft the advisory report	All		June 20XX			
30	Carry out quality review of the advisory report.	All		June 20XX			
31	Clear the advisory report.	All		June 20XX			
32	Issue the advisory report.	All		June 20XX			
33	Finalize the report for submission to the OCAG	All		End June 20XX			

## AUDIT PLAN FOR XXXX AND XXXX

## ILLUSTRATIVE EXAMPLE OF FRAUD RISK REGISTER

## RISK REGISTER

STOREROOMS

File No.:

Risk Register as at 01.01.20XX

Fraud risk owner: Mr Z (Head of Storekeeping)

Scope: Gold and Paper storerooms

Rating for <u>Likelihood</u> and <u>Seriousness</u> for each risk			
L	Rated as Low	E	Rated as Extreme (Used for Seriousness only)
M	Rated as Medium	NA	Not Assessed
H	Rated as High		

Grade: Combined effect of Likelihood/Seriousness					
		Seriousness			
		low	medium	high	EXTREME
Likelihood	low	E	D	C	A
	medium	D	C	B	A
	high	C	B	A	A

<b>Recommended actions for grades of risk</b>	
<b>Grade</b>	<b>Risk mitigation actions</b>
A	Mitigation actions to reduce the likelihood and seriousness to be identified and implemented as soon as the project commences.
B	Mitigation actions to reduce the likelihood and seriousness to be identified and appropriate actions implemented during project execution.
C	Mitigation actions to reduce the likelihood and seriousness to be identified and costed for possible action if funds permit.
D	To be noted - no action is needed unless grading increases over time.
E	To be noted - no action is needed unless grading increases over time.

<b>Change to Grade since last assessment</b>			
NEW	New risk	↓	Grading decreased
—	No change to Grade	↑	Grading increased

**RISK REGISTER Storerooms**

**Last Updated: December 20xx**

<b>Id</b>	<b>Description of Risk</b>	<b>Likelihood</b>	<b>Seriousness</b>	<b>Grade</b>	<b>Change</b>	<b>Mitigation Actions</b>	<b>Responsible Officer</b>	<b>Cost</b>
1.1	Fraud risk in Gold storeroom	Medium (some weaknesses in procedural controls but physical security systems satisfactory)	High	B	–	Improve the controls	Mr X	
1.2	Fraud risk in Paper storeroom - gold stored in paper store room as Gold storeroom has reached capacity.	High (security only appropriate for paper stores)	Extreme	A	NEW	URGENT ACTION REQUIRED TO IMPROVE SECURITY	Mr Y	50000TKH for CCTV equipment

**AUDIT PLAN FOR XXXX AND XXXX**

**RECORD OF INTERVIEW**

Interview reference:

<u>Questions</u>	<u>Answers</u>	<u>Comments</u>
Q1	A1	
Q2	A2	
Q3	A3	
Q4	A4	
Q5	A5	
Q6	A6	
Q7	A7	
Q8	A8	
Q9	A9	
Q10	A10	

I agree the answers recorded in the Answers column above provide an accurate record of the answers I provided in the interview.

Signed

Dated: Dhaka

**Draft Audit Report**



**CONFIDENTIAL**

Office of the Director General of Local and Revenue Audit

Comptroller and Auditor-General of Bangladesh

Investigation report from OCAG SPEMPB pilot audit carried out at the XXXXXXXXXXXX Depot, Dhaka

December 20xx



## Table of contents

	<u>Page</u>
Background	84
Terms of reference	84
Scope of investigation	84
Reporting	84
Chronology of investigation	84
Details of risks under investigation	85
Findings	85
Conclusion and recommendations	107

## Background

As part of the Office of Comptroller and Auditor General (OCAG) Strengthening public expenditure management project B (SPEMP B) the xxxxxx (xxxx) was selected to carry out a fraud prevention and forensic investigation pilot audit.

## Terms of reference

The terms of reference were to carry out a forensic investigation of purchasing and store-keeping risks as set out in the planning documentation approved by the Director General, Local and Revenue in March 20xx.

Meetings were held with Professor Dr. xxxxxx, Director General of Health Services at the Ministry of Health and Family Welfare and Brigadier General xxxx, Director of the xxxxxx Depot to discuss the terms of reference.

The terms of reference required a separate confidential report to be prepared and recommendations to be made where appropriate.

## Scope of investigation

The investigation covered the examination of tenders, contracts, orders, delivery notes, invoices, storekeeping records and other documents as recorded in our evidence logs or records of documentary evidence examined. The staff of xxxx were interviewed as recorded in the record of interviews. It was requested that re-interviews be carried out. However, this was not possible.

## Reporting

In line with best practice this report had been written to let the facts speak for themselves.

## Chronology of events

Date	Event	Evidence
19 March 20xx	Meetings with Professor Dr. xxxx, Director General of Health Services at the Ministry of Health and Family Welfare and Brigadier General xxxx, Director of the xxxxxx to discuss pilot audit plan.	
March-April 20xx	Examination of documentation which revealed a number of discrepancies.	Evidence logs and record of results of testing and supporting documentation.
28 April 20xx	Meeting with Director of the xxxx.	
May 20xx	Interviews regarding discrepancies.	Records of interview.

September 20xx	Request to re-interview.	Letter 2546/OA-1/SPEMP-B/Pilot Audit/2013/8426 of 10/09/2014.
November – December 20xx	Draft report prepared for DG OCAG.	

#### Details of risks under investigation

The following areas of risks were investigated:

1. Differences between contract prices and market prices and other price differences
2. Overcharging for delivery of supplies
3. Procurement in the absence of real practical demand from end users
4. Contracts awarded to other than lowest bidders and to non responsive bidders
5. Tender specifications
6. Payments not complying with rules and regulations
7. Government revenue losses
8. Procurement in excess of approved plans or without adequate planning
9. Payments made without work done or delivery
10. Goods and equipment delivered not conforming to agreed specification
11. Stock and inventory discrepancies

#### Findings

The findings are set out on pages xx-xx below.

**Findings**

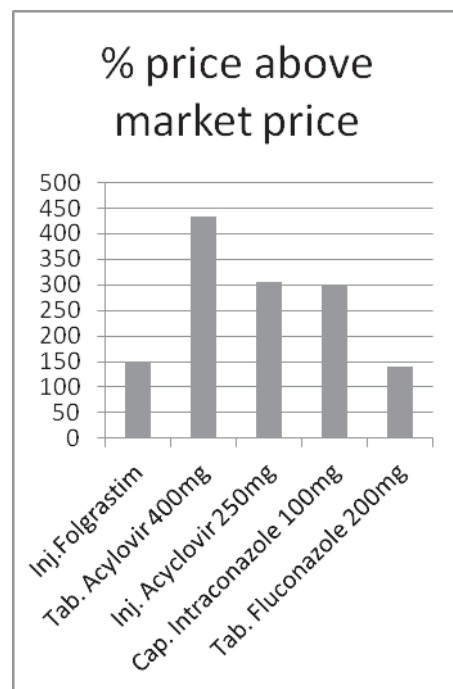
**1. Differences between contract prices and market prices and other price differences**

**1.1 Differences between contract prices and market prices**

1.1.1 The testing of purchases revealed significant differences between contract prices and market prices as documented in Annexes 1.1 and 1.2 totalling Takas 12,09,25,035. For example, the contract price of Inj. xxx was Taka 5,000 whereas the market price was Taka 2,200 as revealed by an examination of a local pharmacy’s prices. This represented a difference in price of 150 per cent. For another example, the contract price of Tab. Xxxx 400mg was Taka 40 whereas the market price was Taka 8. This represented a difference in price of 433 per cent.

1.1.2 The following figure sets out graphically the results of the testing for a number of the pharmaceutical purchases examined for a package .

Graph 1: Graph of contract price and market price percentage differences for a number of pharmaceutical purchases tested for a package



	%
	Difference
Inj.xxxx	+150
Tab. xxxxx 400mg	+433
Inj. xxxxxx 250mg	+305
Cap. xxxxxxx 100mg	+300
Tab. xxxxxxxx 200mg	+140

Source: OCAG audit April-May 20xx

1.1.3 It was noted that while preparing the official estimates for the bid packages adequate market research was not carried out.

1.1.4 Copies of supporting documents are held in a separate file.

1.1.5 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

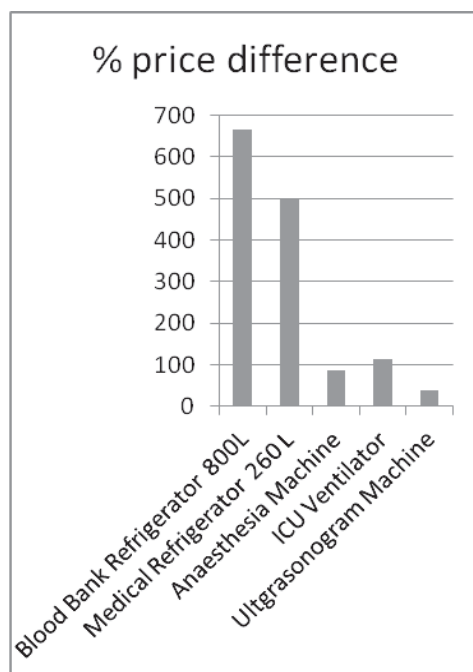
1.1.6 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the differences.

## 1.2. Differences between prices for the same articles purchased from same vendors or different vendors

1.2.1 Testing of purchases revealed that the same articles had been purchased at different rates from same vendors or different vendors with a total discrepancy of BDT 13,65,48,757 as set out in Annex 2. For example, the price of a Blood Bank Refrigerator in one package was USD 1,791 whereas in another package the price was USD 300 in the same financial year of 20xx-xx. This represented a difference in price of 665 per cent. For another example, the price of an ICU Ventilator in one package was Takas 18,90,000 whereas in another package the price was Taka 8,80,375 in the same financial year of 20xx-xx. This represented a difference of in price of 115 per cent.

1.2.2 The following figure sets out graphically the results of the testing for a number of the purchases examined.

Graph 2: Graph of differences between prices for the same articles purchased from same vendors or different vendors



	% Difference
xxxx Refrigerator 800L	665
xxxx Refrigerator 260 L	497
xxxx Machine	87
xxxx Ventilator	115
xxxx Machine	40

**Source: OCAG audit April-May 20xx**

1.2.3 Copies of supporting documents are held in a separate file.

1.2.4 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

1.2.5 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **1.3. Differences between purchase price and official estimate price**

1.3.1 Testing of purchases revealed that medical equipment had been purchased under various packages at prices in excess of the official estimated prices totalling BDT 20,46,86,131 as set out in Annexes 3.1 and 3.2. For example, 8 xxxx Machines for Liver Scanning had been purchased under package G 1165 at a price in excess of the official estimated price by BDT 1,70,91,612. This represented a difference of 23 per cent.

1.3.2 Copies of supporting documents are held in a separate file.

1.3.3 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

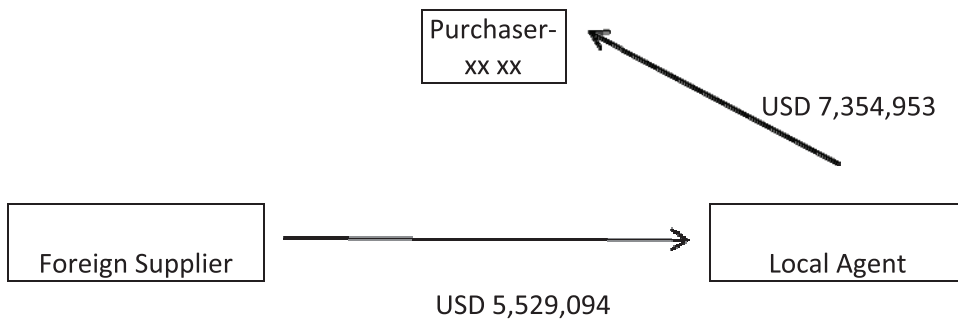
1.3.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## 2. Overcharging for supplies

### 2.1 Difference between amount invoiced by foreign supplier and amount paid to local agent for a purchase of laptops and computers

2.1.1 Testing revealed that a foreign supplier had raised an invoice with a local agent for USD 5,529,094 for a shipment of 12,471 laptops and 4,360 desktop computers for xxxx under package numbers G-1246 and GD-1203. However, the local agent billed and received payment from xxxx for the sum of USD 7,354,953 representing a difference of USD 1,825,859. This is set out in the diagram below.

Diagram 1: Diagram to show discrepancy between amount invoiced by a foreign supplier to a local agent and amount bill by and paid to local agent by xxxx for a purchase of laptops and computers.



2.1.2 Copies of supporting documents are held in a separate file.

2.1.3 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

2.1.4. As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## 3. Procurement in the absence of real practical demand from end users

### 3.1 Intra Operative Imaging Systems

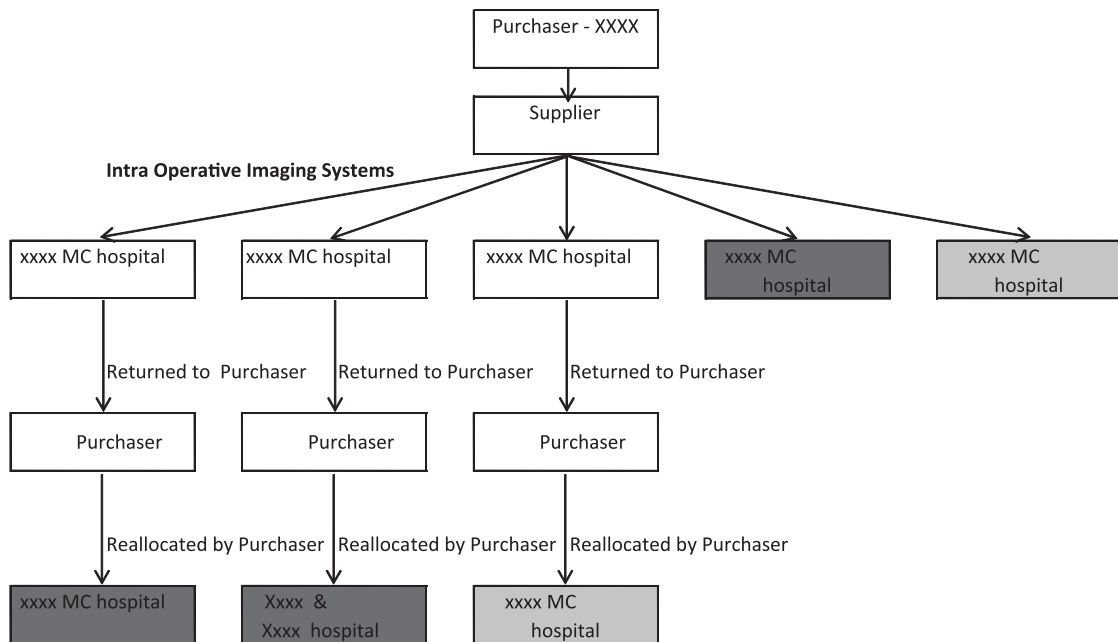
3.1.1 Testing revealed that of the five Intra Operative Imaging Systems purchased under package G-1191 there had been no real practical demand from at least three end users.

3.1.2 The Intra Operative Imaging Systems were delivered to five Medical College Hospitals: (1)xxxx, (2) xxxx, (3) xxxx, (4) xxxx and (5) xxxx. Sylhet, Comilla and Bogra informed xxxx that there

was no scope for using the equipment in their hospitals and duly returned the equipment to xxxx. xxxx subsequently reallocated the returned equipment to xxxx Medical College Hospital, xxxx Medical College & xxx Hospital and xxxx Medical College Hospital.

3.1.3 During physical verification by OCAG at the xxxx Medical College Hospital, xxxx Medical College Hospital and xxxx Hospital, it was established that the Intra Operative Imaging Systems were not in use and had not been unpacked. Chittagong was not visited. This is set out in the diagram below.

Diagram 2: Diagram to show equipment purchased which is not in use and not required.



Equipment inspected and found to be not in use and not required

Value of equipment purchased not in use and not required = **BDT 18,06,45,506**

Equipment not inspected

3.1.4 Copies of supporting documents are held in a separate file.

3.1.5 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.



3.1.6 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### 3.2 Ultrasonogram Machines, Blood Bank Refrigerators and other items

3.2.1 The physical verification by OCAG of purchased items at a number of locations revealed that there had been no real practical demand from end users for a number of items of medical equipment totalling Takas 2,82,57,422 as set out the table below.

Table 1: Table of equipment held unused in store

Location	Equipment purchased	Number received on <u>19/11/20xx</u>	Number held in store on date of audit inspection of <u>15/05/20xx</u>	Value of equipment held <u>unsued</u> in store (BDT)
xxxx Store	Ultrasonogram Machines	100	31	2,34,59,374
xxxx Store	Blood Bank Refrigerators	15	4	47,98,048

Note: These are not stock items.

3.2.2 Copies of supporting documents are held in a separate file.

3.2.3 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

3.2.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### 3.3 Items purchased which were faulty but had not been returned for a replacement or a refund

3.3.1 The physical verification procedures carried out by OCAG also revealed that medical equipment had been purchased which was faulty but had not been returned for a replacement or a refund totalling Takas 2,67,43,834 as set out in Annexes 4.1 and 4.2. Examples are provided in the table below.

Table 2: Table of examples of faulty equipment not returned

Location	Equipment description	Date delivered to location by xxx(Purchaser)	Date noted as faulty by OCAG	Value of faulty equipment not returned (BDT)
xxxx Medical College	Blood Bank	13/03/20xx	10/05/20xx	11,99,512

Mitford Hospital	Refrigerator			
National Institute of xxxx Diseases	Echocardiograph Machine with Colour Doppler	31/12/20xx	10/05/20xx	15,38,941
Xxxx Medical College Hospital	Anaesthesia Machine	03/12/20xx	10/05/20xx	13,61,920
NITOR (Pongu Hospital)	Anaesthesia Machine with ventilator	04/04/20xx	10/05/20xx	24,79,915
xxxx Medical College Hospital	Distilled Water Plant Model: NS104 EEC/Turkey	10/11/20xx	17/05/20xx	12,00,000

3.3.2 Copies of supporting documents are held in a separate file.

3.3.3 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

3.3.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### 3.4 Medicines purchased which had passed their expiry date prematurely

3.4.1 Testing revealed the purchase of a number of medicines which had passed their expiry date prematurely which indicated that they were purchased in excess of demand totalling Taka 1,82,84,205 as set out in Annex 5. Furthermore, they did not have the normal two year shelf life when purchased. Examples are provided in the table below.

Table 3: Table of examples of medicines received which had prematurely passed their expiry date

Name of Medicine	Received date	Expired date	Date expired quantity	Value of date expired medicine (BDT)
Fluvax Influenza Vaccine	05/08/20xx	01/20xx	34,338 Dose	1,04,56,264
Influenza Vaccine (Vaxigrip)	04/09/20xx	05/20xx	4,262 Dose	12,97,821
Inj.Sodium stibo Gluconate (Antimony)	08/02/20xx	07/20xx	19,492 Dose	3,89,840
Inj.Sodium stibo Gluconate 100mg/30ml	30/06/20xx	02/20xx	4, 440 vial	88,800
Inj.Amphoterecine B (Deoxycholate) 50mg/vial	26/01/20xx	06/20xx	4,194 vial	83,880

3.4.2 Copies of supporting documents are held in a separate file.

3.4.3 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

3.4.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **3.5 Failure to facilitate the provisions of contract for the preparation of rooms and a training programme or failure to seek legal redress**

3.5.1 Testing revealed that seven pieces of equipment for a total value of BDT 34,22,81,427 had been purchased from a contractor who had failed to renovate and air condition the rooms to be used to house the equipment and to provide a training programme abroad for two persons for two weeks as required by the contract resulting in a loss of BDT 2,05,46,000 as set out in Annex 6.

3.5.2 It is evident that there has been either a failure to facilitate the provisions in the contract for the preparation of rooms and a training programme or a failure to seek legal redress.

3.5.3 Copies of supporting documents are held in a separate file.

3.5.4 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

3.5.5 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **3.6 Purchasing in excess of standard requirements for the equipment concerned**

3.6.1 Testing revealed that general patient beds had been purchased in excess of the standard requirement set by the Ministry of xxxxx and in the absence of real practical demand from end users.

3.6.2 Furthermore, full payment was made before the delivery was complete.

3.6.3 2,388 general patient beds were procured for BDT 10,91,31,600 under GR-1206 whereas the Ministry of xxxxx (under MSR Rate & Specification order (Furniture Part, Serial No: 2) issued by vide Ref No: 45.155.056.00.008.2011.959 Date: 12/12/2011) requires the use of iron cots which are four times less expensive (BDT 45,700 versus BDT 11,500).

- 3.6.4 Furthermore, physical inspection by OCAG at the Upazilla Health Complex, xxxx and xxxx revealed that a delivery of 10 beds had not been installed indicating an absence of real practical demand from end users.
- 3.6.5 Furthermore, full payment was made before the delivery was complete with reference to Bills 154 and 155 of 27/06/20xx.
- 3.6.6 Copies of supporting documents are held in a separate file.
- 3.6.7 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.
- 3.6.8 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## **4. Contracts awarded to other than lowest bidders and to non-responsive bidders**

### **4.1 Trivial deviation in the provision of tender documentation**

4.1.1 Testing revealed that the purchase of 12,471 laptops under package number G-1246 had not been made from the lowest bidder as they had been deemed non-responsive on only a minor, trivial deviation regarding the provision of tender documentation whereby some information was provided via a catalogue. Furthermore, the laptops supplied had a country of origin of China rather than the USA as required by the tender specification.

4.1.2 Copies of supporting documents are held in a separate file.

4.1.3 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

4.1.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **4.2 Minor delay in the provision of tender documentation**

4.2.1 Testing revealed that the purchase of medicines under package G-1142 (Lot B) had not made from the lowest bidder which was a public sector producer of medicines . The purchase was made from a private sector trading company at an additional cost of BDT 14,77,745.

4.2.2 The Tender Evaluation Committee (TEC) declared the public sector producer's bid non-responsive because it did not have the required certificate of registration from the Director General Drug Administration (DGDA) to produce some of the medicines specified (Inj. Atropine and Adenalene) and it did not have two years experience of producing those medicines. However, the registration certificate was provided to the TEC before the tender evaluation took place and as the bidder was a public sector body it did not require two years experience of producing medicines as this regulation applies only to private sector producers.

4.2.3 Copies of supporting documents are held in a separate file.

4.2.4 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

4.2.5 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **4.3 Award of contract to a non-responsive bidder**

4.3.1 Testing revealed that a contract to supply cardiology equipment for BDT 12,05,06,880 had been awarded to a non-responsive bidder under package G-1112 (Lots A, B, C, D and E). The Technical Evaluation Committee (TEC) had declared the bid non-responsive on 5/12/20xx due to the failure to provide all the documentation as required in the tender specification . Nevertheless, the procurement authority awarded the contract to the bidder in spite of the TEC's rejection of bid.

4.3.2 Copies of supporting documents are held in a separate file.

4.3.3 In the record of interview it is noted that xxxx provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

4.3.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **5. Tender specifications**

#### **5.1 Payment of customs duty and VAT not required under the terms of the contract**

5.1.1 Testing revealed that XXXX had paid customs duty and VAT totalling BDT 79,60,93,791 on the importation of medical equipment purchased from a supplier. However, the contract was on CIP terms which requires carriage and insurance to be paid.

5.1.2 Copies of supporting documents are held in a separate file.

5.1.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

5.1.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

#### **5.2 Payment for costs of survey not required to be paid for**

5.2.1 Testing revealed that XXXX had paid survey costs of BDT 27,58,341 on the purchase of imported medical equipment for which the supplier was liable as set out in Annex 7.

5.2.2 Copies of supporting documents are held in a separate file.

5.2.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

5.2.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **5.3 Tender specification which led to single bidder participation**

5.3.1 Testing reveal a tender specification which led to single bidder participation as set out in the table below. The difference between the winning bid and the lowest bid was BDT 20,06,03,109.

Table 4: tender specification which led to single bidder participation

Procurement details	Tender specification details	Bidder participation
Insecticide Deltamethrin 5% WP for Preventing Kalaazar Programme under Line Director: XXXX against Package no: G- 1176	One of the participants in the pre-bid meeting proposed that if Deltamethrin 'or equivalent' were stated in the tender specification the chance of wider participation would be increased. This is consistent with the World Health Organization Pesticide Evaluation Scheme and XXXX had made similar modifications in the past (e.g., XXXX/G-652(ICB)/2006-07/D-5/33). However, no such amendment was made.	Single bidder

5.3.2 Copies of supporting documents are held in a separate file.

5.3.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

5.3.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## **6. Payments not complying with rules and regulations**

### **6.1 Lack of approval from the Director General Drug Administration according to the National Drug Policy 2005**

6.1.1 Testing revealed a purchase for which the contract required the supplier to supply medicines for BDT 29,35,86,051 that had been produced abroad for quality assurance reasons. However, the supplier did not provide any importation documentation such as a bill of entry or a bill of lading.

Furthermore, the supplier had not obtained approval from the Director General Drug Administration according to the National Drug Policy 2005.

6.1.2 Copies of supporting documents are held in a separate file.

6.1.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

6.1.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## **6.2 Payments made to suppliers before the purchased medicines had been delivered**

6.2.1 Testing revealed that payments had been made to suppliers under package GR 1204 before the purchased medicines had been delivered. The deliveries were due to be delivered by 30/06/20xx and full payment was made on 27/06/20xx. However, the deliveries were made between 04/07/20xx and 18/11/20xx.

6.2.2 Copies of supporting documents are held in a separate file.

6.2.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

6.2.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## **6.3 Amendment to contract to remove supplier's liability for income tax and VAT**

6.3.1 Testing of package no. NCS- 1101 revealed that a contract had been signed for 'GR Form Data Entry' for BDT 6,27,08,000 which was subsequently amended so that the contractor was not liable for income tax and VAT of BDT 1,56,77,000 (No: XXXX/Proc-115/GoV(Dev)/NCS-1101(QCBS)/2011-12/D-3/02 Date: 25/03/2013 and No: XXXX/Proc-115/GoV(Dev)/NCS-1101(QCBS)/2011-12/D-3/4316 Date: 26/05/2013 respectively) .

6.3.2 Copies of supporting documents are held in a separate file.

6.3.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.



6.3.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

#### **6.4 Overpayments of transport costs**

6.4.1 Testing of a number of carrying bills revealed that the contract concerned specified that transport costs were to be paid at a rate of BDT 45 per km but that a rate of BDT 70 per km had been paid. Furthermore, transportation costs were paid on the government holiday of 24/05/2013 as revealed by bill no: 348 of 05/06/2013. This resulted in combined overpayments totaling BDT 43,27,692.

6.4.2 Copies of supporting documents are held in a separate file.

6.4.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

6.4.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

#### **6.5 Purchase in the absence of a requisition and budget allocation**

6.5.1 Testing of the purchase of a CT Scan Machine costing BDT 6,56,84,402 under package GR 1203 revealed that it had been purchased by LC for the Civil Surgeon Office, Satkhira without a requisition from end user and in the absence of a budget allocation from Director General, Health Services. Furthermore, XXXX was not able to provide any information as to whether the machine was installed and functioning.

6.5.2 Copies of supporting documents are held in a separate file.

6.5.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

6.5.4 As noted above, it was not possible to carry out reinterviews to examine in depth the explanations for the above.

## **7. Government revenue loss**

### **7.1 VAT deduction by a medicine manufacturing organisation**

7.1.1 Testing of the purchase invoices from a medicine manufacturing organisation revealed that it had failed to deduct VAT of 15% at source totalling BDT 6,29,95,459 for payment to the government. As a manufacturing organization and also a supplier it is required to issue a VAT- 11 Challan or it has to pay 15% VAT and a VAT-11 Challan was not provided.

7.1.2 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

7.1.3 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **7.2 VAT and IT deductions from contactors and suppliers bills**

7.2.1 Testing of purchases revealed that Value Added Tax (VAT) and Income Tax (IT) had not been deducted at source from contactors and suppliers bills at scheduled rates resulting in a loss of government revenue of BDT 1,55,01,073 and BDT 29,92,359 as set out in Annexes 8.1 and 8.2.

7.2.2 Copies of supporting documents are held in a separate file.

7.2.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

7.2.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **7.3 Sale proceeds not deposited with the Government Treasury**

7.3.1 Testing of the sale proceeds of tender schedule, suppliers' enlistment fees, renewal fees and other similar items totalling BDT 70,92,000 revealed that they had not been deposited with the Government Treasury as per Treasury Rule TR-7.

7.3.2 Copies of supporting documents are held in a separate file.

7.3.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

7.3.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

#### **7.4 Absence of VAT supporting documentation**

7.4.1 Testing of payments to a manufacturing organization supplying medicines revealed that during bidding process they provided a Manufacturer's Authorization Certificate. Hence, it was mandatory for them to keep a VAT-11 Challan, a Buy-Sell Accounts Register and a Current Accounts Register according to Value Added Tax (VAT) Act, 1991. However, it was not possible to verify if VAT had been collected because neither VAT-11 Challan nor Treasury Challan for depositing money to Government Exchequer nor Current Accounts Register was available. The amount of VAT involved is BDT 1,33,11,862.

7.4.2 Copies of supporting documents are held in a separate file.

7.4.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

7.4.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

#### **8. Procurement in excess approved plans or without adequate planning**

##### **8.1 Procurement in excess of approved plans**

8.1.1 Testing revealed that 5,080 personal computers (desk top) had been procured under packages G 1101, G 1202 and GD 1203 against the approved 2012-13 plan figure of 3,000 as per Line Director: HIS and E-Health. The excess of 2,080 purchased represents expenditure of BDT 8,84,57,640.

8.1.2 Copies of supporting documents are held in a separate file.

8.1.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

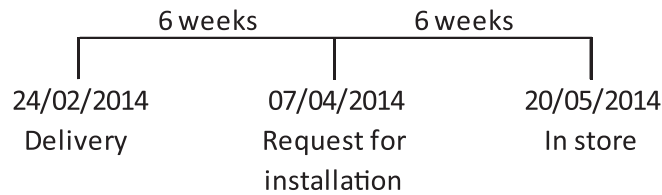
8.1.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

##### **8.2 Absence of feasibility study and implementation plan**

8.2.1 Testing revealed that computer hardware and software and other related services had been procured for 2 hospitals for the purposes of automation without a feasibility study or implementation plan.

##### **NICVD**

8.2.2 Physical verification on 20/05/2014 by OCAG revealed that the purchases which had been delivered on 24/02/2014 were held in store. NICVD requested XXXX on 07/04/2014 to install and commission the equipment without success. This is set out in the timeline below.



NITOR

8.2.3 Physical verification on 20/05/2014 by OCAG revealed that NITOR had not received the equipment XXXX had purchased.

8.2.4 Copies of supporting documents are held in a separate file.

8.2.5 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

8.2.6 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

**8.2 Equipment and related software not fully installed and not operationally effective**

8.3.1 Telemedicine equipment for a total of BDT 3,36,31,980 been procured under packages G- 884, G- 1152 (Lot 1 & 2) and GD- 1204 against the Director: HIS and E-Health 2012-13 budget for 29 Medical Centres. However, physical inspection by OCAG revealed that the equipment and related software had not been fully installed and was not operationally effective.

8.3.2 Copies of supporting documents are held in a separate file.

8.3.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

8.3.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

**9. Payment made without evidence of work done or delivery**

**9.1 Payment for repairs of medical equipment in absence of detailed statement of repairs**

9.1.1 Testing revealed that a payment of BDT 3,38,66,539 was made for repairs of medical equipment for which there was no detailed statement of repairs. Furthermore, no tender was called for in contradiction of Public Procurement Rules 2008 and no official estimate was made.

9.1.2 Copies of supporting documents are held in a separate file.

9.1.3 In the record of interview it is noted that XXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

9.1.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## **9.2 Purchase and maintenance of office furniture for which there was no requisition and no required tender action and no entry in the inventory record**

9.2.1 Testing revealed expenditure for the purchase and maintenance of office furniture of BDT 1,17,89,815 for which there was no requisition and no required tender action. Furthermore, the purchased office equipment had not been added to the inventory record.

9.2.2 Copies of supporting documents are held in a separate file.

9.2.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

9.2.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## **9.3 Payment for installation and commissioning not performed**

9.3.1 Testing revealed a payment for BDT 61,21,700 to a supplier for the installation and commissioning of equipment, maintenance services for 3 years, 3 mbps data connectivity for 3 years and training as per Bill no 419 dated 26/06/2013. However, physical verification by OCAG in May 2014 revealed that the equipment had not been installed and commissioned.

9.3.2 Copies of supporting documents are held in a separate file.

9.3.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

9.3.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

#### **9.4 Purchase for which there was no provision in the annual plan and no required tender action and no entry in the inventory record**

9.4.1 Testing of the purchase of computer and other office equipment from a supplier for BDT 29,77,000 as per Bill no: 311 Date: 27/05/2013 and Bill no: 408 Date: 26/06/2013 revealed that there was no provision in the annual plan for the purchases and that the value of the purchases exceed the limit for the annual aggregate amount for Request for Quotation purchases of BDT 5,00,000 as specified in PPR-2008 Rule 69 (1), 69 (6) (a) & (c) Schedule II. Furthermore, there is no entry in the inventory record for the items purchased.

9.4.2 Copies of supporting documents are held in a separate file.

9.4.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

9.4.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

#### **9.5 Payment for services not provided**

9.5.1 Testing of package G-884 revealed that a payment had been made for data connectivity and service charges to a service provider for the period from May 20xx to April 20xx in respect of number of Telemedicine Centres. However, the data connectivity and related services had only been provided from May 20xx onwards resulting in wasted expenditure of BDT 45,66,000.

9.5.2 Copies of supporting documents are held in a separate file.

9.5.3 In the record of interview it is noted that XXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

9.5.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

#### **9.6 Payment for maintenance**

9.6.1 Testing of the payment of BDT 14,545,000 for the maintenance and painting of 617 steel racks revealed that no open tender had been called for as required, the inventory had not been updated and no evidence of performance was found by OCAG during physical verification procedures.

9.5.2 Copies of supporting documents are held in a separate file.

9.5.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

9.5.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## **10. Good and equipment delivered not conforming to agreed specification and sourcing of supplied items**

### **10.1 Vehicles delivered not registered and not conforming to engine size specifications**

10.1.1 Testing revealed the procurement of 150 vehicles in 6 packages in various lots which in the majority of cases the contract price included the cost of registration but the vehicles had not in fact been registered. Furthermore, the vehicles were sometimes supplied without supporting documentation such as invoices and packing lists which made it difficult to check the specification of the vehicles delivered. Nevertheless, testing revealed for example that for package no: G-1105 (Lot- 1) it had been specified that the engine capacity of the Cross Country Vehicle supplied would be 2477 cc. However, the engine capacity of the imported vehicle was discovered to be 1977 cc vide Bill of Entry no: C-113833 dated 12/09/2013. The price of vehicle depends on the engine capacity. Hence, the variation in the engine capacity represented a financial loss. **Further details are provided in Annex 9 to the report.**

10.1.2 Copies of supporting documents are held in a separate file.

10.1.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

10.1.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **10.2 Sourcing of supplied items**

10.2.1 Testing of purchases revealed that three Mercedes Benz Ambulances with Advanced Cardiac Life Support System had been procured from a foreign supplier under G-1205 Lot 1 for BDT 11,30,31,283. As the procuring authority had specified a specific brand the vehicles ought to have purchased directly from the manufacturer or an authorised local agent to guarantee the quality of the vehicles concerned. Furthermore, there was no description of the engine number in the packing list and bill of lading and the survey documentation only recorded that the vehicles had been 'physically checked and found OK as per contract'.

10.2.2 Copies of supporting documents are held in a separate file.

10.2.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

10.2.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## **11. Stock and inventory discrepancies**

### **11.1 Absence of documentary evidence of receipt of purchased vehicles and knowledge of whereabouts and deployment**

11.1.1 Testing of customs duties and VAT payments for imported items revealed a bill of entry (number C-108298 dated 01/09/20xx) from Chitagong Port for 8 Toyota Land Cruiser Prado Jeeps provided by WHO for XXXX. XXXX obtained the release of these vehicles from Chitagong Port by payment of customs duties and taxes. However, there is no documentary evidence of receipt of the vehicles and XXXX do not know of their whereabouts and use as at date of last day of the audit of 20/05/20xx.

11.1.2 Copies of supporting documents are held in a separate file.

11.1.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.

11.1.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

### **11.2 Items delivered directly to the end user which had not been added to a stock register**

11.2.1 Testing revealed equipment with a total value of BDT 5,05,84,031 had been procured by XXXX and delivered directly to the end user (the Sarkari Karmachri Hospital, Dhaka) which had not been added to a stock register as required by General Financial Rule 148.

11.2.2 Copies of supporting documents are held in a separate file.

11.2.3 In the record of interview it is noted that XXXX provided no response when questioned about the above discrepancy except to comment that current procedures had been followed and the appropriate authority had approved the package and that further preventative checks will be established to avoid any possible waste/loss.



11.2.4 As noted above, it was not possible to carry out reinterviews to examine in further depth the explanations for the above.

## **Conclusions**

The investigation has revealed a significant number of significant discrepancies. It was not possible to carry out reinterviews to examine in further depth the explanations for the discrepancies.

## **Recommendations**

It is recommended that further investigations are carried out by the Ministry concerned into the significant number of significant discrepancies noted in the findings of this report.

If necessary recovery action and any other appropriate measures should be taken in due course as required.

It is also recommended that a risk register is set up to record possible fraud risks. It is understood that mitigating actions have already been taken and it is recommended that the operational effectiveness of the enhanced controls is monitored by those responsible senior officers who are allocated the ownership of the risks.

The OCAG pilot audit team provided a presentation on fraud risk registers to the staff of XXXX in May 20XX.

This report and supporting papers contain confidential and sensitive information which should be treated accordingly.

## **Fraud prevention procedures**

A number of recommendations have been made in a separate advisory report regarding high level fraud prevention procedures based on an assessment carried out of XXXX practices.

## **Checking of progress made in implementation of recommendations**

It is recommended that OCAG carry out a follow up exercise in due course to assess the progress made in implementation of the above recommendations.

## **Acknowledgements**

The OCAG pilot audit team would like to thank the Director and staff of XXXX for their assistance in the course of the pilot audits.