

PUBLIC SECTOR ACCOUNTING PRACTICES IN BANGLADESH

UGC & Govt. Approved
Sonargaon University (SU)
সোনারগাঁও ইউনিভার্সিটি (এসইউ)

Public Sector Accounting Practices in Bangladesh

Report Submitted to the Department of Business Administration to Fulfil the Degree of Master of Business Administration

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28 April 2025

Declaration

I hereby declare that,

i. The project report I have submitted is entirely my original work completed during our degree program at Sonargaon University.
ii. This report has not been and will not be reproduced for any other MBA course or any other purpose.
iii. The report does not include any material previously published or written by a third party, except where appropriate citations are provided with full and accurate references.
iv. I have duly acknowledged all the primary sources of assistance received during the preparation of this report.

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Letter of Transmittal

28 April 2025

Md. Masud Rana
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Subject: Submission of project report on "Public Sector Accounting Practices in Bangladesh".

Dear Sir,

As part of the MBA program at Sonargaon University, I am submitting my project report titled "**Public Sector Accounting Practices in Bangladesh**". to fulfill the requirements of the program. I sincerely hope that this report meets the objectives and criteria of my project and that you accept it. I have made my best efforts to present the report in a concise and comprehensive manner, including all the necessary data and recommended proposals.

I would like to express my gratitude for your guidance and cooperation throughout the entire process of working on this report. Your support has been invaluable. I would appreciate it if you could spare some time to review the report and assess my performance.

Sincerely yours,

_____

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Executive Summary

The reports present an extensive study of the public sector accounting practices in Bangladesh. The objective is to find that how the public sector accounting works in Bangladesh and what challenges the public organization faces to maintain the transparency and accountability. Furthermore, the study also discusses the recent progress of the public sector performance and efficiency of Bangladesh.

The primary discussion of the study includes the public sector accounting framework of Bangladesh and the adoption of International Public Sector Accounting Standards (IPSAS). The study includes information of the regulatory bodies responsible for accounting in public sector, the accounting basis used in public sector, budgeting, financial reporting, performance measurement, audit process, technology used in public sector and some major challenges faced by the public sector to maintain their accountability.

Also, the study will discuss some differences among public sector and private sector accounting.

By going through the study, it is possible to understand about the overall accounting practices of the public sector of Bangladesh. Also, it can encourage to improve the financial reporting, accountability, transparency, management and efficiency of a public organization.

Keywords: Public Sector Accounting, International Public Sector Accounting Standards (IPSAS), Regulatory Bodies, Accounting Basis, Budgeting, Financial Reporting, Aduit, Performance Measurement, Technology, Challenges, Accountability and Transparency.

Chapter 1: Introduction

Since public sector accounting promotes accountability, transparency, and efficient resource management, it is an essential component of all governmental organizations. With a large financial commitment and a strong public financial management system to guarantee the efficient provision of public services and general national development, Bangladesh hopes to become a developed nation by 2041 (Shil & Chowdhury, Public Financial Management Systems in Bangladesh: An Ideological Review , 2020). This study explores how the public sector accounting practices in Bangladesh and how it works.

The main goal of the assessment of public sector accounting and auditing is to assist Bangladesh in implementing more efficient Public Financial Management (PFM) through of greater quality public audit and accounting practices, while also increasing the incentive for more economically advantageous government spending outcomes (World Bank, 2007).

1.1 Background of the study

In order to ensure accountability, openness, and economical use of public monies, public sector accounting is essential.

1.1.1 Public Sector Accounting Framework in Bangladesh

The Office of the Comptroller and Auditor General (CAG) is the highest authority in Bangladesh in charge of managing accounting in the public sector. According to Bangladesh - Public Sector Accounting and Auditing: A Comparison to International Standards (English), 2007 and Establishment of the Office of the Comptroller and Auditor General (CAG): Act No. XXI., 1999, the CAG guarantees adherence to accounting standards and offers guidance on financial reporting.

Government organizations must use IPSAS and prepare financial statements using the accrual method (Mir & Rahaman, 2005). Bangladesh's public sector accounting framework is greatly influenced by the International Public Sector Accounting Standards Board (IPSASB), which ensures global harmonization in financial reporting practices.

1.1.2 Importance of Public Sector Accounting Standards

In Bangladesh, public sector follows International Public Sector Accounting Standards (IPSAS). Through improved general purpose financial reporting from public sector organizations, governments will be able to make more informed decisions about how to allocate their resources, which will increase accountability and transparency. This is the goal of IPSAS. Developing and maintaining IPSAS and other financial reporting guidelines, as well as increasing public sector awareness of and adoption of accrual-based accounting, are the means by which this goal will be accomplished (International Public Sector Accounting Standards, 2023).

IPSAS can also add some value to a public organization by the following procedure.

- Improve Transparency and Accountability

The standards force the public organization to make their financial report more transparent to the public. To do so providing accurate information became mandatory. So, the chances of fraud and error became lower.

- Improve Decision making.

IPSAS standards makes the financial reports more transparent and accurate. The fraud and error have decreased. As a result, the decision-making gad become more accurate.

- Strengthen government financial management.

The asset management of the government became more accurate and the sustainability is also increased.

- Value added through consequential effect.

The reputation of the government is also increased. As they are able to increase the efficiency by controlling the fraud and error. Furthermore, the employee in public sector is becoming more motive because the chances of corruption is decreasing by the use of International Public Sector Accounting Standards (IPSAS).

Source: (International Public Sector Accounting Standards Board , 2013).

The Bangladeshi government has also worked to improve the professional expertise and capacity in public sector accounting, which is generally quite noteworthy. The main goal of several training courses and workshops is to improve the accounting and financial management abilities of public servants.

The government has demonstrated a desire to advance public sector accounting standards in recent years. Stronger internal control and auditing procedures, as well as a shift from cash-based accounting to accrual accounting, are all being worked on. These programs seek to boost accountability, strengthen financial management, and increase the effectiveness of Bangladeshi public sector organizations.

1.2 Objective of the Study

There are several objectives of this research paper which are as follows,

- Understanding how International Public Sector Accounting Standards are implemented and how it helping the public sector of Bangladesh to maintain a good accountability and transparency.
- Gaining an overview of the regulatory bodies that are connected with the public sector accounting Bangladesh. Moreover, this study also tried to elaborate how these regulatory bodies are managing the standards in public sector.
- Elaborating which of the accounting basis is followed by the public sector Bangladesh and how they are trying to improve the quality.
- Evaluating the budget process and the improvement in recent years and understand the role of Public Expenditure Review Commission (PERC) to improve the government budgeting.
- Evaluating the financial reporting system of public sector Bangladesh and know the importance, challenges of the financial reporting.
- Finding how the public sector of Bangladesh is using the performance measurement system and how it is helping to increase the accountability.
- Understanding how the audit should be conducted in public sector and the importance of doing audit in public sector.
- Understanding how the technology has been used in public sector in Bangladesh and the benefits and challenges of using the technology.
- Findings some major challenges faced by a public sector of Bangladesh.
- Understanding how the public and private sector works and the basic differences among their accounting practices.

1.3 Scope of the Study

The Scope of the Study is there for the students who want to explore the public sector accounting and do their own research. They can study this report and get an idea about the public sector accounting practices and how this report interpreted the results. Using this report researchers can do further studies on the public sectors, and they can use different test samples and benchmarks to find out their results. And their results can be different if different techniques and sample sizes are used.

1.4 Methodology of the Study

To collect data secondary sources has been used. There were several data sources. All of them are reliable and relevant. Only necessary data have been collected through these sources.

1.4.1 Data Collection Source

The plan for gathering data, analyzing the information, and coming to a conclusion is the primary focus of the research design. The collection of trustworthy and pertinent data is essential to research. To complete this project, secondary data has been used.

Data has been collected from,

- Reports and articles
- Journals
- Website
- Newspaper articles

1.4.2 Processing of Data Analysis

After collecting data from secondary sources, self-analysis was done to evaluate the collected data. To do so, proper analysis, interpretation, summarization and classification has done in a way that is related to the research objectives.

1.4.3 Data Reliability and Validity

As mentioned earlier, the data is collected from all secondary sources. All the sources on the data collection were reliable and relevant. Only necessary and relevant information are collected through those sources. Also, proper citation and reference is also there against those sources.

1.5 Limitations of the Study

The study on public sector accounting in Bangladesh, like any other research, may have certain limitations. Here are some potential limitations that could apply to such a study,

- Data Availability and Quality

The study on Bangladesh's public sector accounting may be constrained by the quantity and caliber of data available. There may be discrepancies in the availability of pertinent financial data, reports, and documents, which could result in gaps or inconsistent data being used in analysis.

- Contextual Specificity

The study's conclusions might only apply to the public sector accounting system in Bangladesh and not to other nations or areas with various legal systems, governance arrangements, or cultural contexts.

- Lack of Longitudinal Data

The study might not be able to track changes over time if it mainly uses cross-sectional data. Longitudinal data can offer a significantly more thorough understanding of the topic since it tracks changes and patterns in public sector accounting practices.

- Time Constraints

Time constraints may make it difficult to carry out in-depth research on Bangladesh's public sector accounting in a subtle way.

Chapter 2: Literature Review

This literature review aims to find an overview of the existing practices of public sector accounting Bangladesh. Obtaining understanding of the essential components of financial reporting, accounting standards, budgeting, accountability, transparency, performance measurement, technology integration, financial reporting, and auditing are the goals to improve the financial management and efficiency of the country.

The aim of (Khusru, Rajib, & Hoque, 2021) was to investigate the government of Bangladesh's reform of public sector accounting (PSA) initiatives to implement the International Public Sector Accounting Standards (IPSAS) on a cash basis, as promised by the Ministry of Finance (MoF) in the 2006–07 fiscal year. Even though numerous developing nations, including Bangladesh, have pledged or begun to implement the IPSAS, practical concerns remain. As a result, the study of them evaluates current procedures and reform initiatives and critically compares them to cash basis IPSAS. The findings of the study were Bangladesh as a low-income country, is working to reduce poverty. The effective use of public funds can contribute to the reduction of poverty. Since it is widely acknowledged that IPSAS contributes to ensuring the accountability and transparency of public funds, it can be helpful in this regard. Since IPSAS implementation requires resources, LDCs are advised to use cash basis IPSAS in order to guarantee the framework for transitioning to IPSAS. Bangladesh must apply both Part 1 and Part 2 of the cash basis IPSAS before implementing the accrual-basis IPSAS. Based on an analysis of documents that have been made public, Bangladesh has made some progress. However, up until now, the financial reporting has not included the fundamental statements that are needed in accordance with the cash basis IPSAS. While there are some concepts in the BACS handbook, no documents have genuine initiatives. There are no initiatives available for revealing the details of assets and liabilities. Despite the nation's 2006–07 pledge to implement IPSAS, the actual initiatives are nowhere to be found in the documents. This result partially contradicts the earlier theory of the accounting standard-setting scenario. According to earlier research, the central bureaucracy that colonizers left the Less Developed Countries with helps them adopt accounting standards. But in Bangladesh, a different conclusion is clear. As a result, this study indicates that there may be room to investigate the IPSAS adoption criteria with reference to the bureaucratic legacy in the future. Bangladesh can benefit from the experiences of other LDCs that have already implemented the cash basis IPSAS. According to earlier research, many nations had difficulty implementing IPSAS, particularly the cash basis IPSAS. Bangladesh must therefore proceed cautiously. However, it should be mentioned that in order to improve accountability and transparency regarding public funds, Bangladesh must reform public sector accounting. According to the document analysis conducted in Bangladesh, adopting the IPSAS appears to depend on the dedication of higher authorities, collaboration among reformation agents, and consistency of reform. It should be mentioned that the document analysis is where our findings originate. The documents analysis as a stand-alone approach has certain drawbacks. We recognize that the use of document analysis as a stand-alone technique limits the scope of our investigation. Future research may develop triangulation of data. To obtain further

insights into the future, document analysis can be combined with interviewing, grounded theory, and/or other techniques (Khusru, Rajib, & Hoque, 2021).

The paper of (Rajib, Adhikar, Hoque, & Akter, 2019) looks at public sector accounting reforms, primarily the Central Government of Bangladesh's adoption and use of the Cash Basis International Public Sector Accounting Standard (IPSAS). The result of the study shows that the Central Government of Bangladesh, there are now different approaches to the Cash Basis IPSAS. The strength of institutional pressures has made differences between Bangladesh and other emerging economies less significant. As has happened in other emerging economies, there is a chance that Bangladesh will continue to adopt the Cash Basis IPSAS primarily as rhetoric rather than as a practical implementation. The study shows that the public sector accounting reform trajectories in emerging economies are determined by the degree of participation in reforms by professional accountants and their associations.

According to (Talukdar, 2020), The spirit of local governance and the core of community stakeholder consultations are undermined by "high conditionality" to intergovernmental transfers and "budgetary incrementalism." It also reveals that the primary obstacle to a local government union council in Bangladesh operating effectively is not only the influence of outside forces on their autonomy in making decisions and budgeting, but also the crisis of ownership and competence of the elected council.

The research of (Chowdhury & Shil, 2017) shows that the primary aim of performance measurement system is to encourage a performance-based culture within the public sector. A customer-focused approach to service delivery, budget accountability, and cost efficiency were all aided by it. In order to improve the outcome, the chosen public sector organization simultaneously employed a variety of measuring techniques. According to one of the senior executives, these are crucial for them. In addition to going to a politician and bringing up the issue if the public is dissatisfied with our service, there is also media scrutiny due to the political process's emphasis. In order for there to be some level of scrutiny, and in my opinion, we are far more exposed than the corporate sector. Field data substantiated the study organization's use of both financial and non-financial performance metrics to foster both individual and corporate business improvement at the operational and strategic levels. The assessment of business activities' relative success has long been aided by financial performance reporting and evaluation. The traditional accounting language (performance standards) was incorporated into the framework for understanding the operations of the studied organization in an effort to improve outcomes. The uses of the performance measurement system guide and support organizational change and performance, even though it is still in its early stages (Chowdhury & Shil, 2017).

Another report of (Shil & Chowdhury, Public Financial Management Systems in Bangladesh: An Ideological Review, 2020) regarding public management discuss that by 2041, Bangladesh hopes to have reached a developed statehood. Although the country's timeline to get there appears extremely ambitious, the nation has already shown that it is capable of accomplishing a number of noteworthy milestones, including meeting the targets outlined in the Millennium Development Goals (MDGs), becoming a Middle-Income Country, and improving social indicators such as life expectancy. The nation's development projects demand a significant financial commitment and an effective public financial management system. Globally, the public sector has experienced tremendous transformation in order to meet the challenges. The introduction of private sector management philosophy into the public sector through New Public Management (NPM) has already completely changed how the public sector operates. The public sector's financial management procedures have also been the focus of several cutting-edge instruments. However, the establishment of a desirable PFM system requires the development of collectivism and cultural maturity. Inspired by Hofstede's (1980) Onion Model of Culture, this study reviews Bangladesh's Public Financial Management (PFM) systems using an exploratory research design based on published literature and archival records (Shil & Chowdhury, Public Financial Management Systems in Bangladesh: An Ideological Review, 2020).

The study of (Chowdhury, Innes, & Kouhy, 2005) conclude that there were notable disparities in perceptions between the two user groups—PAC members and IFA representatives—and the CAG auditors. In important areas like CAG reporting, accountability, auditor independence, auditor competence, audit evidence, and performance audit, the results verified the existence of an audit expectations gap. For the first time, statistical data has demonstrated that there is a discrepancy in audit expectations between CAG auditors and the public sector users of their audit reports. The PAC members' learning process is primarily informal and voluntary, and they are not required to participate in any training programs. The Office for Project Services at the United Nations periodically hosts workshops for members of parliament. However, because the IFAs have a global training network, their representatives are better trained than their counterparts in the PAC. In a similar vein, even though CAG auditors undergo extensive technical training, it's possible that they still need additional instruction regarding the information needs and expectations of report users. Improving training for all stakeholders and fostering greater understanding and collaboration among these strategic partners are two potential solutions to close the gap between the expectations of users and CAG auditors. This is necessary to uphold democratic governance and public sector accountability.

The paper of (Rajib & Hoque, Application of ICT in Public Sector Accounting of Bangladesh, 2017) investigate the uses of information and communication technology (ICT) in Bangladesh's public sector accounting (PSA). For a long time, various stakeholders have called for PSA transparency and efficiency. Donor agencies have therefore recommended that PSA be reformed in developing nations. Bangladesh launched and implemented the Integrated Budget and

Accounting Systems (iBAS), a computer-based network, as part of the PSA reform with assistance from the donor agency association. To better understand how ICT is used in Bangladeshi public service announcements, this study used focus groups and document analysis. This paper aims to investigate the use of ICT in Bangladesh's public sector accounting through an examination of PSA practice and document analysis. The study's conclusions indicate that various government accounting agencies in Bangladesh appear to have profited from ICT-based PSA.

In this study of public sector accounting practices in Bangladesh will help to get a better and details understanding of the accounting practices in the public sector. Reader will get to know the details of challenges of maintaining the accuracy and accountability in the public sector organization. Furthermore, the reader will also be able to understand the basic differences of the public sector and private sector and the difference among their accounting practices. Lastly, the reader will get an overview and a clear knowledge of the basic accounting practices in public sector and some relative information.

Chapter 3: Overview of Public Sector Accounting Practices

3.1 Public Sector Accounting Standards in Bangladesh

Accounting Standards is very important for a public sector organization as the financial reporting practices and transparency depends on it. Public sector of Bangladesh usually follows International Public Sector Accounting Standards (IPSAS). Public sector accounting in Bangladesh is governed by Financial Reporting Act 2015 also known as FRA 2015 and Financial Reporting Rules (FRR). Whereas Public sector uses International Financial Recording Standards (IFRS) to prepare their financial statement. Bangladesh made a significant move towards adopting accrual accounting principles aligned with IPSAS. This study focus how the International Public Sector Accounting Standards are helping the public sector of Bangladesh to maintain a good accountability and how the public sector adopting this.

3.1.1 International Public Sector Accounting Standards (IPSAS)

International Public Sector Accounting Standards (IPSAS) is an accounting standard set by International Public Sector Accounting Standard Board (IPSASB) (International Public Sector Accounting Standards, n.d.). These standards are based on International Financial Reporting Standards (IFRS) which was issued by International Accounting Standards Boards (IASB) (International Public Sector Accounting Standards, n.d.). The objective of IPSAS was to develop and maintain a standard financial reporting in public sector and raising awareness on adoption of accrual-based accounting in public sector.

There are forty-two standards in accrual-based accounting and one standard for cash-based accounting in IPSAS.

The standards are given below,

#	Title	Based on
IPSAS 1	Presentation of Financial Statements	IAS 1
IPSAS 2	Cash Flow Statements	IAS 7
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8
IPSAS 4	The Effects of Changes in Foreign Exchange Rates	IAS 21
IPSAS 5	Borrowing Costs	IAS 23
IPSAS 6	Consolidated and Separate Financial Statements (superseded)	IAS 27
IPSAS 7	Investments in Associates (superseded)	IAS 28
IPSAS 8	Interests in Joint Ventures (superseded)	IAS 31
IPSAS 9	Revenue from Exchange Transactions	IAS 18
IPSAS 10	Financial Reporting in Hyperinflationary Economies	IAS 29
IPSAS 11	Construction Contracts	IAS 11
IPSAS 12	Inventories	IAS 2
IPSAS 13	Leases	IAS 17

IPSAS 14	Events After the Reporting Date	IAS 10
IPSAS 15	Financial Instruments: Disclosure and Presentation (superseded)	
IPSAS 16	Investment Property	IAS 40
IPSAS 17	Property, Plant and Equipment	IAS 16
IPSAS 18	Segment Reporting	IAS 14
IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets	IAS 37
IPSAS 20	Related Party Disclosures	IAS 24
IPSAS 21	Impairment of Non-Cash-Generating Assets	IAS 36
IPSAS 22	Disclosure of Financial Information About the General Government Sector	n/a
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)	n/a
IPSAS 24	Presentation of Budget Information in Financial Statements	n/a
IPSAS 25	Employee Benefits (superseded)	IAS 19
IPSAS 26	Impairment of Cash-Generating Assets	IAS 36
IPSAS 27	Agriculture	IAS 41
IPSAS 28	Financial Instruments: Presentation	IAS 32
IPSAS 29	Financial Instruments: Recognition and Measurement	IAS 39
IPSAS 30	Financial Instruments: Disclosures	IFRS 7
IPSAS 31	Intangible Assets	IAS 38
IPSAS 32	Service Concession Arrangements: Grantor	IFRIC 12
IPSAS 33	First-time Adoption of Accrual Basis IPSASs	n/a
IPSAS 34	Separate Financial Statements	IAS 27
IPSAS 35	Consolidated Financial Statements	IFRS 10
IPSAS 36	Investments in Associates and Joint Ventures	IAS 28
IPSAS 37	Joint Arrangements	IFRS 11
IPSAS 38	Disclosure of Interests in Other Entities	IFRS 12
IPSAS 39	Employee Benefits	IAS 19
IPSAS 40	Public Sector Combinations	n/a
IPSAS 41	Financial Instruments	IFRS 9
IPSAS 42	Social Benefits	n/a

Source: (International Public Sector Accounting Standards (IPSAS), n.d.)

3.1.2 Adaption of IPSAS in public sector Bangladesh

The government of Bangladesh adopt cash based IPSAS to departure towards accrual-based reporting (International Public Sector Accounting Standards, n.d.). The government followed IPSAS standards for the first time in their public sector at fiscal year 2007-08.

3.1.3 Impact of IPSAS

The uses of IPSAS standards have significantly increased the governance quality (Tawiah, 2022). It increases the comparability, transparency, accountability and the quality of the financial report of the developing countries. The impact of IPSAS is higher in developing countries more than the developed countries (Tawiah, 2022).

3.2 Regulatory Bodies of Public Sector Accounting Bangladesh

Regulatory bodies are the government agency or public organization which are responsible to establish and strengthen the relative standard. They are also responsible to ensure the consistency of the standards. The first regulatory agency was Interstate Commerce Commission which was established by Congress in 1887 (Regulatory Body, 2021). There are also some regulatory bodies to maintain the public sector accounting standards. Such as, Public Financial Management (PFM), Comptroller and Auditor General (C&AG), Supreme Audit Institutions (SAIs) etc. This study provides an overview of the regulatory bodies that are connected with the public sector accounting Bangladesh. Moreover, this study also tried to elaborate how these regulatory bodies are managing the standards in public sector.

3.2.1 Public Financial Management (PFM)

Public financial accounting is a key component to improve the transparency, governance and to accountability of public sector Bangladesh. PFM helps to ensure the transparent management of government in several criteria including budget cycle, government audit and reporting, revenue recognition, public expenditure etc. (Sayed & FCMA). PFM is responsible on planning, control and direct the financial resources and influence public sector goals (Sayed & FCMA). Furthermore, PFM is responsible for some more government activities which are,

- Policy formulation for manage financial resources of public sector.
- Budgetary management for government.
- Responsible to prepare the public financial reports and control public expenditure.
- Check the accuracy, transparency to ensure the accountability of public sector and government.

3.2.2 Supreme Audit Institutions (SAIs)

Supreme Audit Institution (SAI) is an independent national level institution which is responsible to audit the government activities and the public sector. SAI plays an important role to ensure the accountability of public funds and the accuracy of the financial reporting of government (Supreme audit institution, 2023). This institution also provides an anti-corruption effort. Supreme Audit Institution is a part of International Organization of Supreme Audit Institution (INTOSAI). Nearly every Supreme Audit Standards in the world is controlled by International Organization of Supreme Audit Institution.

3.2.3 Comptroller and Auditor General (C&AG)

The comptroller and auditor general work as the Supreme Audit Institution of Bangladesh (Comptroller and Auditor General (Bangladesh), 2023). The office of Comptroller and Auditor General is responsible for maintain the accounts and audit all the receipt and expenditure of Bangladesh government. They had recently introduced with performance audit that focus on the efficiency and effectiveness of the public sector management. The first Comptroller and Auditor General was appointed by the government of Bangladesh in 11 May, 1973. Since then, twelve different person was appointed for the job by the government. The code of ethics and quality control system is also developed by them.

3.2.4 The Institute of Chartered Accountant of Bangladesh (ICAB)

ICAB also play a small role in public sector in Bangladesh. Although it is not their responsibility to adopt public sector accounting standards but they support the adoption of public sector accounting standards by engaging with several government agencies. They help public sector to implement IPSAS.

3.2.5 Institutes of Cost and Management Accountants of Bangladesh (ICMAB)

ICMAB is not directly responsible to adopt the public sector accounting standards in Bangladesh. The institute promotes the adoption of IPSAS. They provide technical support and engage with discussion with the government agencies like Office of the Comptroller and Auditor General of Bangladesh and others to adopt IPSAS.

3.3 Accrual basis vs Cash basis accounting

Accrual and cash basis accounting are the two different methods for a company to record revenue for an organization. An organization can use either accrual or cash basis accounting to record their revenue. There are some differences between two different bases of accounting. This study tried to elaborate which of the accounting basis is followed by the public sector Bangladesh and how they are trying to improve the quality.

3.3.1 Accrual Basis Accounting

In this method, revenue is recorded when it is earned. The revenue is recorded in the time of delivering the goods or services to the customer by hoping that the money will be paid in future (MORAH & SMITH, 2023). In other words, revenue is recorded before receiving the cash. In contrast, expense is also recorded before giving the cash. It is recorded on the time when the goods or services received by the organization. For example, if a company sell a product of $500, they will record it as their revenue on the time when the customer receives the product. They don't need to wait for their customer to paying the price of the product.

There are some advantages and disadvantages of accrual basis accounting method.

Advantages:

I. Business Analysis Become Easier

This basis is more focused on the long-term situation. For this reason, business analysis is easier in this method.

II. Allow Easy Planning

It shows the revenues and expenses on right periods which allow the company to do proper planning and budgeting.

III. Increase Accuracy

As this method records the transaction when that occurred. It increases the accuracy of the statement.

IV. Increase Income at the Financial Statement

The revenue is recorded before receiving the cash. It can increase the income of the income.

V. Reduce Tax Burden

As the company issue the invoices at the start and end of the year, the tax burden can reduce.

Disadvantages:

I. Complexity

This method is more complex than the cash basis. So, the adjustment and maintenance are more complex.

II. High Cost

The cost is higher because of the complexity. To maintain high complexity a large number of workers needed.

III. Chances of Manipulation

Chances of manipulation is higher in this method because it deals with credit terms not on cash. Some businesses are misusing this method to hide their fraud and error.

IV. Understandability

This method is very hard to understand for a non-accountant. Also, this method is more time consuming.

3.3.2 Cash Basis Accounting

Cash basis accounting works simply as the opposite of accrual basis accounting. In this method, revenue is recorded after receiving the money from the customer. In terms of expense, Organization records it after the cash payment. They cannot record only after receiving the product. This method is normally used by the small organization of personal business. For example, if a company sell a product of $500, they can only record it as revenue after receiving the cash from the customer.

There are also some advantages and disadvantages of this method. Such as,

Advantages:

I. Easy to Use

This method is very easy to use because it only deals with cash transaction. It only records revenue and expenses if there is cash transaction. There is less complexity.

II. Reduce Tax

As it only records the cash transaction, the income is less than the accrual method which cause low tax for the company.

III. Low Maintenance Cost

This method is less complex to maintain. For this reason, organization needs less worker to maintain this and the cost is also lower in this method.

IV. Exist in Present

One of the major advantages of this method is it only deals with concrete cash. So, it is easier for an organization to understand that how much solid cash they had in their hand.

Disadvantages:

I. Difficult to Change

As the accrual basis is far complex method than cash basis. So, if a company wants to switch it is very harder for them to do so.

II. Not Show Full Picture

It not shows the credit sales and expense which can be harmful in long term.

III. Miss led Investor

This method not show the accounts payable and other liabilities. It can overstate the financial statement. The investor can also be miss leaded for the limited information.

IV. Limit Customers

In cost basis account there is no credit sales. So, a company can't sell on credit if they use this method which can be a cause of limited customer.

3.3.3 Key differences between Accrual and Cash basis accounting

Accrual method is more sustainable in long terms. This method can provide clearer picture in terms of profitability in long term scenario because it records the accounts receivable and payable. For example, a company sale in current quarter may not be shown under cash basis if that is on account which can reduce the profit of the company for that particular investor (MORAH & SMITH, 2023). Investor might think that the company is not profitable whereas they are making a good profit in long term. This method is more complicated and need more staffs to maintain. This is a must require basis for those companies which follow Generally Accepted Accounting Principles (GAAP).

Cash basis accounting is an easier method of recording revenues and expenses. A company can easily track the cash flows. There are only accounts for cash received and paid. This method doesn't record accounts payable which can cause overstated financial statement. As a result, the investor may also be miss leaded. Cash basis method is also not accepted by Generally Accepted Accounting Principles (GAAP).

3.3.4 Accounting methods used in public sector Bangladesh

Public sector in Bangladesh uses cash basis of International Public Sector Accounting Standard (IPSAS) slightly (Abedin, Sohel, & Akter, 2023) which focused on recording the cash inflows and outflows. However, the government sector claim that they are following cash basis fully. There are some lacking of criteria of cash basis IPSAS in public sector of Bangladesh (Abedin, Sohel, & Akter, 2023). Some of the government and intergovernmental organization also started following accrual basis accounting to prepare their financial statement accordance to IPSAS or IPSAS similar standards (Rocky).

3.4 Budgetary Accounting

A government budget is a projection of two component which are the government revenue and expenditure of a particular periods (Government budget, 2023). The public budget represents the government plan and goals. Basically, a budget is prepared by the government of a country or other related political party. Government Budgeting was firstly used in Netherlands in 1572. While in Bangladesh the first budget was published in 1972 after the independence. In this study, the focus is to understand the budget process and the improvement in recent years. Furthermore, the study will also focus the role of Public Expenditure Review Commission (PERC) to improve the government budgeting.

3.4.1 Types of Budgets

There are some different types of government budget which are,

I. National budget:

This budget is prepared for the country as a whole by the central government.

II. State Budget:

State budget is prepared on the purpose of individual state of a country.

III. Plan Budget:

Basically, plan budget is a document which shows the budgetary provisions of important project and programs taken by the central government of a country (Government budget, 2023).

IV. Performance Budget:

Performance budget mainly focus on the evaluation of the performance of government on their taken project and programs. It mainly evaluates the performance of the last year.

V. Supplementary Budget:

This is the budget which forecast the revenue and expenditure of the central government upcoming years depending on the actual performance of recent years (Government budget, 2023).

VI. Zero-Based Budget:

In this budget every separate ministry justifies its budget in details format.

3.4.2 Budgeting Process in Bangladesh

To prepare budget the government of Bangladesh follows some steps which are,

- First of all, finance division issue Balance Circular 1 with preliminary expenditure ceiling for each of the ministry.
- Then line ministry prepares Ministry Budget Framework (MBF) by taking the help of departments from district level.
- After that, finance division and planning commission jointly review the budget and finalize the MBFs.
- Then finance division prepare ministry-wise Balance Calendar 2 preliminary expenditure ceiling.
- After that, finance division review and finalize the estimated budget.
- Lastly, the prepared budget is presented to the parliament.
  Source: (Budget Processes: Bangladesh Perspective, 2012)

There are three different stages which are followed by the government to prepare the budget which are,

I. Preparing Stage:

The process of preparing the budget starts in this stage. Planning commission starts with their initial annual development program outlines. This outline focusses the various projects and initiative taken by the government. Moreover, the Ministry of Finance prepares the revenue and expenditure budget of the government.

II. Approval Stage:

After the preparation of the budget, it is submitted to the parliament. The respective members of the parliament debate it contest and suggest changes. Then, the budget goes through an inquiry. After all inquiries the budget is fixed by the chief executive or the president.

III. Execution Stage:

In this stage, the ministry of finance plays the central role. They monitor the budgetary allocation by the government. They ensure the relevance of the budget and make adjustments if needed.

3.4.3 Improvement in recent years budgeting

According to world bank Bangladesh has improved their budgetary result (THE WORLD BANK, 2020). Public Expenditure Review Commission (PERC) played a vital role in improving the budgetary performance. The worked on different criteria to improve the performance. Such as,

I. Strengthening Budgetary Institution:

Few institutions which are directly responsible to budget related issues are improved a lot in recent time. Ministry of Finance, Office of Comptroller and Audit General, National Board of Revenue, Planning Commission are the example of this strengthen.

II. Improving Budget Formulation Process:

The budget formulation process in more potential now than before. The ministry of finance implemented Medium-Term Budget Framework (MTBF) which increased the budget accuracy as it takes information from different departments from district level.

III. Increase Budget Transparency

Bangladesh has improved a lot in budget transparency. To increase the budget transparency and accountability the government started using public financial management software. These types of various steps helped government to improve the accuracy a lot.

IV. Increased Budget Supervision

Bangladesh government are more conscious now about the budget. Before fixing the budget, it goes through a proper inquiry. Ministry of Finance examine attentively and make adjustment if needed before fixing the budget which increasing the accuracy more.

3.5 Financial Reporting

Financial reporting is the process of providing financial information to the stakeholders of a company. Financial reporting helps to measure the success of a business and stay on the track of the company's goals and milestones (What Is Financial Reporting? Definition, Importance, and Types, 2023). The investors took decision on the basis of financial report. It also helps management to take future decisions. In this study, we will try to understand the financial reporting system of public sector Bangladesh. Furthermore, we will try to know the importance, challenges of the financial reporting.

3.5.1 Types of Financial Reports

There are five different types of reports a company needs to provide to their stakeholders. They are,

I. Balance Sheet:

This is one the most essential financial reports for a business. Because it provides an overall clear prospective of the financial status of the business at a specific date. It shows the current and non-current assets and liabilities of the business. And it also shows the shareholders equity of the business.

II. Income Statements:

This is basically a profit and loss statement of a business. In this statement, a stakeholders can find the revenues, expenses, gains and losses of a company for a particular period. As this statement helps to understand the profitability of a company, it is very important for the investors and creditors.

III. Statement of Cash Flows:

This statement is used to understand how much cash the business is generating and how much it spent. It shows the changes in cash account of a company for a particular period. It also indicates the liquidity and solvency of a company.

IV. Statement of Shareholder's Equity

This statement provides the information of changes in retain earnings after dividend is paid to the shareholders. This statement is very important for the shareholders and bondholders of company who are supporting the business financially.

V. Notes to Financial Statements:

Notes allow the readers clearly understand the terms in a statement which they cannot understand easily. It increases the understandability of a statement. Investor can evaluate the performance by the help of this. In the notes, a company provide the insight information like which basis they are using, the accounting periods, the methods of inventory valuation, depreciation etc.

3.5.2 Financial Reporting in Public Sector Bangladesh

In Bangladesh, the public sector needs to follow International Public Sector Accounting Standards (IPSAS) align with Bangladesh Financial Reporting Standards (BFRS) and the Financial Reporting Act (FRA) to prepare financial reports.

- The financial reports should include every five different types of statements which are, balance sheet, income statement, statements of cash flows, statements of shareholders equity and notes to financial statements.
- Bangladesh financial reporting standards strengthen the accountability and transparency of public sector. For this reason, public sector needs to provide every detail financial and non-financial information in the financial reports.
- The reporting time for financial statement of public sector of Bangladesh is 30th June as the financial reporting standards follows the fiscal year policy. All public sector entities submit their financial reports to the Comptroller and Auditor General (CAG).

3.5.3 Financial Reporting Challenges

Public sector Bangladesh faces some challenges on their financial reporting system. Such as

- Maintaining public sector accounting become very hard because of the continuous changes on the rules and standards.
- The political situation of the country is also a big challenge for the public sector to maintain the accuracy.
- There are some global issues like climate change, sustainable economic development, taxation avoidance, biodiversity are also challenges of financial reporting (Guthrie & Sardesai, 2020).
- Data availability and the accuracy of the data is a big challenge for a public sector accountant to maintain the accountability.
- Interdisciplinary accounting scholar can also be a challenge.
- Maintaining proper timing to issue the report is also a challenge for the public sector of Bangladesh.

3.6 Performance Measurement

Performance measurement is the process of collecting and analyzing the information to evaluate the performance on an individual, entity, group or system (Performance measurement, 2023). Performance measurement helps to understand that how well an organization is working to reach their objective or goals. Measuring performance is very important for an organization. There are some different tools to measure performance. Such as,

- The Balance Scorecard:

It helps to keep tracks to the performance of an individual. Balance scorecard track the activities of the employees and monitor them.

- Key Performance Indicators:

Key performance indicators are the process of measuring the success of and organization in a separate activities like project, program, initiative etc. which it engages. This helps an organization strategically. An organization can understand the actual situation of it and make decisions based on that situation by the help of this.

In this project the target is to find that how the public sector of Bangladesh is using the performance measurement system and how it is helping to increase the accountability.

3.6.1 Importance of Performance Measurement

There are some key reasons of performance measurement. Such as,

- Performance measurement promotes accountability and transparency in public sector of a country.
- It helps employers to develop a clear picture about their employees' roles and purpose within the organization.
- It improves the communication between managers, supervisors and the employees.
- Performance measurement system helps employees to develop their potential, interpersonal and work skills.
- It can help an organization to find the area which needs improvement.
- It creates goal alignment and organizational growth.
- Performance measurement helps to grow the understanding about the actual performance quality of the organization.

3.6.2 Performance Measurement Framework in Bangladesh

In Bangladesh, there are various framework are implemented for public sector performance measurement. Such as,

- Annual Performance Agreement (APA)

The government of Bangladesh has introduced a performance evaluation system Annual Performance Agreement (APA) in 2014-15 financial years. The target was to ensure the institutional transparency and accountability. Since then, the public entities of Bangladesh using the framework to evaluate their performance.

- Performance Monitoring

The government of Bangladesh also monitor their performance. To do so they use performing monitoring dashboard which is basically a works like a scoreboard. It helps the government to measure the progress of the projects and programs of them. It also helps the government to understand the area that need to be improve.

- Budget Monitoring

The government of Bangladesh also use annual budget as a tool to evaluate the performance. They focus the previous budget to measure the performance. If they work successfully with the allocated budget, the performance of them is satisfactory.

In the public sector of Bangladesh, the necessity of performance measurement is very high. Accountability and transparency are must needed in public sector. If the public sector does performance measurement it will surely help the organization to become more effective and efficient. Although, the public sectors have already started using it and becoming more productive there is still some unavoidable challenges like political pressure, availability of technology and so on while doing the performance measurement.

3.7 Audit in Public Sector Bangladesh

Auditing in the public sector is a set of rules and practices that tabulate, numerate, and comprehend the functions and activities of a public organization. Public sector performance evaluation and market-oriented ideologies have influenced public sector auditing in the modern era (Mattei, Grossi, & A.M., 2021). In this report, the focus is to understand how the audit should be conducted in public sector and the importance of doing audit in public sector.

3.7.1 Types of Audits in Public Sector

I. Financial Audit

External auditors are hired in a financial audit to gather and assess supporting documentation for claims made in financial statements regarding economic activities, assess the degree of agreement between those claims and predetermined standards, and inform interested parties that financial statements prepared by management are typically fairly reported. Finding out if an entity's financial data is presented in line with the relevant financial report and the regulator is the main goal of financial audit. This is accomplished by obtaining a sufficient and appropriate audit of the structural evidence, allowing the auditor to render a determination regarding whether the financial data is free from material errors resulting from fraud or error.

The main objective of financial audit is,

In order to provide an opinion on whether the financial statements are prepared in all material respects in compliance with the applicable financial reporting framework, the auditor must obtain a reasonable assurance regarding the absence of material misstatements in the financial statements as a whole, whether as a result of fraud or error and report on the financial statements and communicate as required by these standards, in accordance with the audit findings.

II. Performance Audit

Performance audits concentrate on programs, organizations, and interventions. The economy operates based on principles, skills, and the possibility of efficiency and improvement. Performance is evaluated in relation to the relevant criteria, and the reason for any deviation from those or other criteria is noted. Issues are examined. The main audit question is addressed, along with suggestions for improvement.

Objectives of performance audits are,

- Performance audits place more of an emphasis on activity than on accounts and transactions or results. Such audits' primary goal is to advance governance's economy, efficiency, and effectiveness in order to increase accountability and transparency. Whether governments and citizens have received value for their money is the fundamental question that guides performance audits. These audits look at the effectiveness and efficiency with which legislative and executive branch intentions have been prepared and carried out.

- Performance audits look at whether government policies have produced the desired results rather than whether they have examined the policies themselves. These audits also look into whether there were better ways to accomplish the desired outcomes or if these policies had any unintended consequences.

- In essence, performance audits provide helpful criticism on government operations. By offering an unbiased assessment and giving the intended users pertinent, extra, and helpful information on the audit's subject matter, these audits enhance the value of government programs.

III. Compliance Audit

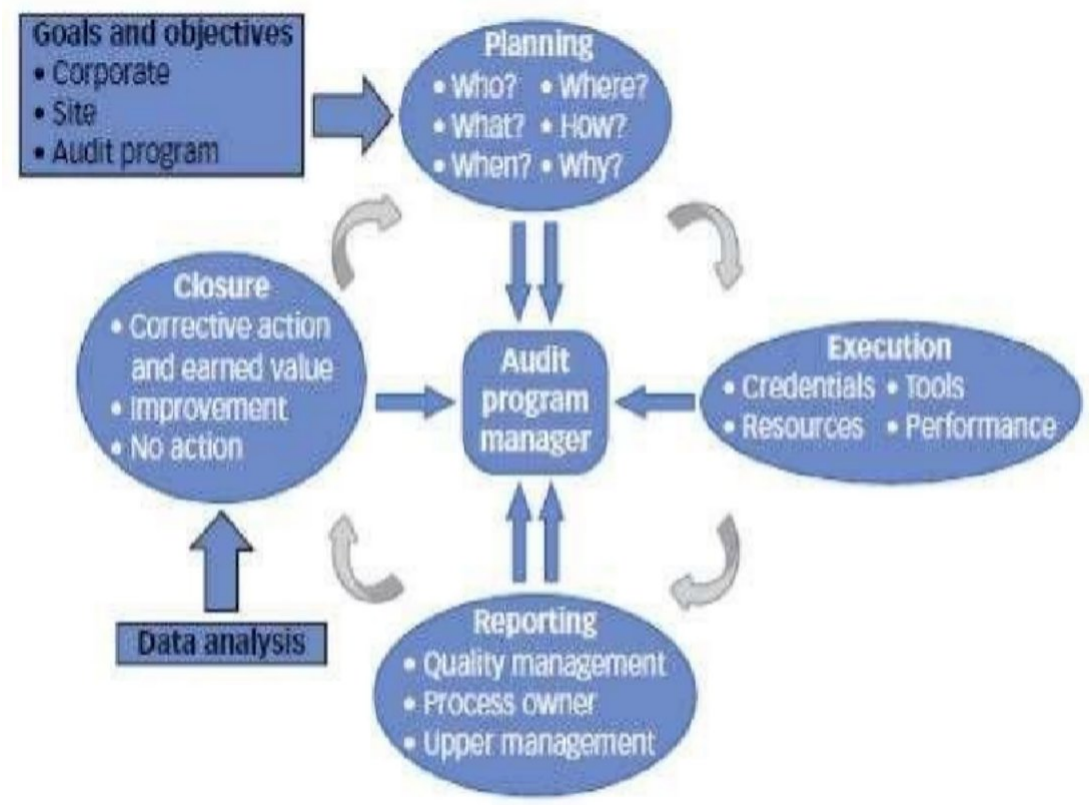
The goal of the compliance audit is to determine if a specific piece of content satisfies the requirements set forth by the authorities. With the approval of the governing body, consent is evaluated through assessment activities, financial transactions, and information in all aspects that pertain to the supervised entity. These authorities could be budget resolutions, laws, rules, policies, established codes that support the terms or general principles of public sector financial management and government official conduct.

Objectives of compliance audit is,

The independent evaluation by OCAG of a subject's compliance with criteria set by relevant authorities is known as a compliance audit. The main goal of compliance audits is to give OCAG the ability to evaluate and report, as needed, on whether the actions of public sector organizations are compliant with the laws that regulate them. These authorities could be laws, rules, and regulations; resolutions of the government; declared policies; general guidelines governing the financial management of the public sector; and standards of financial propriety.

3.7.2 Phases of Audit Cycle

There are four phases in an audit circle. Which are,



Source: (The ASQ Auditing Handbook)

I. **Audit planning and preparation**

To guarantee that the audit complies with the client's objective, audit preparation entails organizing everything that must be done beforehand by interested parties, including the auditor, the lead auditor, the client, and the audit program manager. The choice to perform the audit and its actual start mark the end of this phase of the audit process.

II. **Audit execution**

The fieldwork refers to the phase of an audit that is carried out. It is the part of the audit that collects data and spans the time from arriving at the audit site until the exit meeting. It involves a number of tasks, such as managing the audit on-site, meeting with the auditee, comprehending the process and system controls and confirming their effectiveness, coordinating with other team members, and communicating with the auditee.

III. Audit Reporting

The audit report's objective is to disseminate the investigation's findings. Correct and understandable data that can be used as a management tool to address significant organizational issues should be included in the report. When the lead auditor issues the report or the follow-up tasks are finished, the audit process may come to an end.

IV. **Audit follow-up and closure**

In accordance with clause 6.6 of ISO 19011, "The audit is completed when all the planned audit activities have been carried out, or otherwise agreed with the audit client." The ISO 19011 clause 6.7 goes on to say that a follow-up audit may include a verification of the actions taken (The ASQ Auditing Handbook).

3.7.3 Applicability of Government Auditing Standards

The foundation of Bangladesh's government auditing standards is the International Standards of the Supreme Audit Institutions 100, 200, 300, and 400. These meet the requirements outlined in ISSAI 100 Paragraph 9 (Government Auditing Standards of Bangladesh, 2021). These requirements in no way supersede any other laws or regulations, including those found in Bangladesh's Constitution. Additionally, they do not stop CAG from conducting reviews, investigations, or other tasks. These standards outline both requirements and guiding principles. As necessary, the specifications have been modified from ISSAI 2000-4899 (Government Auditing Standards of Bangladesh, 2021)

All of the engagements that OCAG undertakes on behalf of CAG will be governed by the General Principles listed in Part I of this document. Under the direction of CAG, OCAG will carry out all relevant audit engagements in accordance with the standards outlined in other Parts. If an issue or topic is not expressly addressed in these standards, the code of ethics, or the quality control system, OCAG will refer to pertinent ISSAI standards and guidelines in addition to the application and other supporting documentation of pertinent ISAs. The Government Auditing Standards of 1999 are superseded by these standards (Government Auditing Standards of Bangladesh, 2021).

3.7.4 Audit Process

3.7.4.1 Phase 1: Planning the Audit

- Terms of Audit

OCAG will handle all audit engagements after the terms of the audit are formally established. Information about the audit's subject matter, scope, and objectives, the audit process, data access, contact details, and the roles and responsibilities of the various engagement parties are all included in the terms of the audit. It will be up to OCAG to prepare the audit terms.

To the greatest extent feasible, the management of the audited entity, OCAG, and any other pertinent parties will formalize their understanding of the audit's terms as well as their respective roles and responsibilities. It might not be required for audited entities to have a separate understanding in every compliance audit engagement because they are historically familiar with OCAG's audit processes. However, in every performance audit engagement as well as in financial audit engagements where the CAG is expected to offer an opinion on the financial statements, such understanding will be required.

When conducting compliance audits, OCAG will document the terms of the audit, including its scope and objectives, in its notification of the audit, unless a separate formal understanding is deemed necessary.

When the management of the audited entity and the OCAG disagree on the terms of the audit, OCAG representatives will sincerely attempt to settle the dispute in a cooperative manner. The terms of the audit that are ultimately prepared by OCAG will take precedence if the audit engagement is carried out in accordance with CAG's constitutional mandate.

If the management of the audited entity does not provide a helpful response concerning the audit terms, OCAG will formally notify the audit terms via written or digital communication.

- Understanding the Entity

The audit engagement team must ascertain the nature of the program or entity to be audited prior to starting any audit engagement.

This comprehension must cover pertinent goals, activities, the regulatory landscape, internal controls, finances, and other systems, such as the entity's IT infrastructure and business procedures. Apart from enhancing the audit quality, this comprehension should also allow thorough evaluation of the entity's risk.

Before beginning the audit, the understanding which would be the collective understanding of those carrying out the audit engagement must be documented. If assistance from outside experts is required, OCAG may do so in the case of complicated and technical subjects. This comprehension will aid in the efficient planning of the audit and establish the parameters, duration, and sequence of the audit processes.

In case of important financial audits and all performance audits, the Director General shall provide personal direction and supervision in this exercise.

- Risk Assessment and Problem Analysis

Risk analysis will be conducted by OCAG in compliance with the standards. The audit engagement team will identify risks of various kinds of misstatements, deficiencies, or deviations based on their understanding of the entity and the evaluation of inherent risks and control risks.

Under the guidance and supervision of the Director General, the audit engagement team will use its combined expertise, education, and experience to find anticipated shortcomings or deviations. This kind of problem analysis will help specify the audit's goals. During the auditing process, these oughts' to be taken into account. The risks and issues may need to be revised in light of the audit's conclusions. The audit plan must include documentation of this problem analysis, which will serve as institutional memory.

- Risks of Fraud

The audit engagement team will evaluate the risk of fraud within the parameters of the audit objectives when organizing or carrying out the audit. In order to determine the fraud risks that could have an impact on the findings and conclusions, such as material misstatements brought about by fraud, the team will gather and evaluate evidence. Although the auditor is typically not expected to possess the knowledge of someone whose primary responsibility is to detect and investigate fraud, OCAG believes that the auditor should have enough knowledge to recognize the signs of fraud.

Fraud is the intentional use of deceit or misrepresentation to gain an unfair and illegal advantage. Finding situations, facts, or a lack of information within the audited entity that could support or hint at such deliberate misrepresentation or deception is part of identifying fraud risks. If the audit engagement team becomes aware of such situations, information, or omissions, they will broaden the audit's scope and procedures. The legal system or other investigative oversight procedures are used to determine whether an act qualifies as fraud or not. The effect of such acts on the audit findings and conclusions is the auditor's main concern. The auditor may demand that persons in charge of the audited entities' governance take additional corrective action, such as reporting them to investigative agencies, if they have reason to believe that certain circumstances, information, or lack of information indicates fraudulent acts. If the issue seems serious and higher management may have been involved, the auditors may also forward the case straight to the investigating authorities.

Teams responsible for audit engagements are free to broaden the scope of audits or audit procedures, but they are not required to conduct investigations. When determining whether or not there is suspected fraud, audit engagement teams must use professional judgment and skepticism throughout the engagement. Audit engagement teams are not allowed to report fraud indicators or suspicions without first acquiring adequate and relevant proof. Despite the audit engagement team's best efforts, there will always be an unavoidable risk that statements, deficiencies, and deviations caused by or concealed by fraudulent methods won't be found at all because of the inherent limitations of auditing. This is mostly because fraud can involve complex methods of operation and multiple parties conspiring at various levels.

The concerned Director General will ultimately decide whether to report any suspected fraud to an appropriate investigative agency or to those in charge of the management and governance of the audited entities. He will not assign this authority to anyone who is beneath him. When dealing with delicate cases or situations where the facts are ambiguous or susceptible to different

interpretations, he must bring the issue before his superiors, including the CAG, and request their approval. The audit engagement teams are not allowed to provide formal or informal advice regarding corrective actions that should be taken in the event that fraud is suspected. Nothing will prevent OCAG from performing independent fraud risk assessments or any other investigations into audited entities that it sees fit. But these evaluations or inquiries might not be included in the audit engagement.

- Audit Planning

OCAG will not conduct an audit engagement without a documented audit plan. Ensuring that an audit is carried out effectively and efficiently is the goal of such an audit plan. There are operational and strategic components to audit planning. Planning should specify the goals, methodology, and scope of the audit. The goals of the audit are referred to as objectives. This will also specify the kind of audit and whether different types of audits are required. The aim leads to the scope, which comprises the topic and the standards to be applied. to evaluate and document the topic. Method encompasses the nature and the scope of auditing techniques to be employed in order to gather adequate and relevant proof.

Desk research of files and documents, communication with audited entity staff, observation, inspection, beneficiary interaction, inquiry, confirmation (including confirmation from a third party), recalculation, analytical processes, and research techniques are some examples of these procedures. Every step should be connected to the topic at hand. The method, or the kind and degree of audit processes, is connected to the evaluation of audit risks associated with the purpose and purview of the audit. participation. These oughts to be made with the intention of lowering the audit risks to a manageable level.

Operationally, planning calls for establishing the scope, timing, and nature of audit procedures as well as a schedule for the audit engagement. As appropriate, the engagement team will assign tasks to team members, which should be documented in the plan. Planning for an audit engagement is dynamic. It ought to adapt to notable shifts in the environment and circumstances. However, this kind of planning cannot be flexible. One of the things the Director General or his officers will review during the engagement is updating the written audit plan. Nonetheless, such a plan might not be very detailed in the case of a routine compliance audit and financial audit of small entities. The written audit plan must be included in the audit documentation.

3.7.4.2 Phase 2: Conducting the Audit

In essence, conducting the audit entails carrying out the planned procedures to gather sufficient and pertinent evidence, then analyzing that evidence to make conclusions. Under the direction of the team leader, the engagement team is responsible for documenting every procedure that is carried out. The outcomes of the procedures, along with the evidence gathered, must also be documented. If the planned audit procedures need to be expanded for any reason during the audit engagement, the nature of the expanded audit procedures as well as the reasons for the expansion must be documented.

3.7.4.3 Phase 3: Evaluation of Evidence and conclusions

The assessment of the evidence will be a continuous process in every audit engagement that OCAG takes on. The evidence will be assessed considering the engagement's subject matter, criteria, risk assessment, and materiality. The team should regularly reevaluate the preliminary materiality and risk assessments and decide whether to add more steps to the audit process. Following the completion of the audit procedures, the subject matter and subject matter information will be compared to the audit evidence by the audit engagement team in the field, who will then assess the evidence to determine whether the subject matter or subject matter information has been sufficiently and appropriately audited.

The audit engagement team in the field will use expert judgment to determine findings and draw conclusions. The team and the audited entity will have a mutually convenient discussion regarding the findings and conclusions, which will be recorded. After that, the first interim draft report must be written and sent to the directorate team for additional processing.

3.7.4.4 Phase 4: Reporting and Follow Up

- Reporting

The OCAG reporting process is multilayered and subject to close examination at every turn. The audit engagement team in the field will prepare the first draft report, which will serve as a final statement of the audit engagement. The audit documentation needs to be attached to the draft report. The OCAG reporting process is multilayered and subject to close examination at every turn. The audit engagement team in the field will prepare the first draft report, which will serve as a final statement of the audit engagement. An audit must also be included with the draft report.

The audit plan, the intended audit procedures and how they will be carried out, the audit evidence gathered, and the findings and conclusions drawn will all be closely examined by the audit engagement team at headquarters. Whether adequate and relevant evidence has been gathered about the topic or subject matter information, and whether that evidence supports the findings and conclusions, would be the main focus of this examination. Regarding the attestation engagements, the reports must contain an opinion regarding whether the subject matter complies with the established criteria in all material aspects and whether the subject matter information is free of errors in all material respects. If more information is required, a long form audit report can be added. Unmodified opinions can indicate that, subject to specifics in the opinion format, a reasonable assurance has been obtained on the subject matter.

A qualified, unfavorable, or disclaimed opinion can all be considered modified opinions. In a qualified opinion, it would be stated that OCAG has concluded that misstatements in the financial statements, either individually or collectively, are material but not pervasive, or that it has not been able to obtain sufficient and appropriate evidence regarding certain items in the subject matter information that may be material but not pervasive. An unfavorable opinion would state that

OCAG believes the misstatements, whether in individual line items or the total, are both significant and widespread after obtaining adequate and relevant evidence. A disclaimed opinion would indicate that, because of scope constraints or uncertainty, OCAG has not been able to obtain adequate and relevant evidence. The report for the engagements involving direct reporting must specify the audit's goals and subject matter, as well as its findings and conclusions. It may also contain recommendations. There may also be more details provided regarding the methodology and data/information sources. One may mention any restrictions on the audit's scope. In performance and compliance audit cases, OCAG will report findings and conclusions related to the audit's subject matter, but it will not provide opinions.

- Follow Up

Monitoring the responsible party's response to the issues brought up in any audit report will be the responsibility of OCAG. The purpose of this follow-up is to determine if the reported entity has responded to the issues raised. If the entity being reported upon does not take adequate or satisfactory action, OCAG may conduct additional audits.

3.7.5 Importance of Audit in Public Sector

An audit is a tool used by the public, private, or individual sectors of the financial control industry to protect themselves from fraud and extravagance, and more importantly, to give the audited entity more credibility. "Evaluation or examination of systems, operations and activities of a specific entity, to ascertain they are executed or they function within the framework of certain budget, objectives, rules and requirements" is the definition of audit, according to the International Organization of Supreme Audit Institutions. This definition of audit in the public sector is more inclusive than the original one, which limited it to only financial audits. Audits are a vital tool for the efficient and effective operation of government, as well as for ensuring that the benefits of public funds are utilized to benefit all citizens, even the most disadvantaged members of society. It contributes to ensuring that the executive is held accountable to the Parliament and the public at large. The legislature has authority over the executive branch and can ensure that public funds are raised in a responsible manner, for the intended purpose, and fully utilized by the government by ensuring that taxes and other sources of funding are utilized. A few international organizations advocate for standards, reports, and auditing procedures that have been agreed upon. They are as follows

- International Organization of Supreme Audit Institute (INTOSAI)
- International Federation of Accountants (IFAC)

3.7.6 Importance of Internal Auditing in Public Sector

Internal auditing is a free-standing, impartial assurance and consulting practice that aims to enhance an organization's performance. By bringing a methodical, disciplined approach to assess and enhance the efficacy of risk management, control, and governance processes, it aids an organization in achieving its goals (What is Internal Audit). For public sector internal auditing is very important because of the following reason,

- The foundation of sound public sector governance is government auditing, which offers impartial, objective evaluations of whether public resources are managed sensibly and successfully to produce desired outcomes as well as by encouraging the right ethics and values within the company. Internal auditors support government agencies in developing trust with stakeholders and the public, achieving accountability and integrity, and enhancing organizational performance management.
- The oversight, insight, and foresight governance responsibilities are supported by the role of the government auditor. In addition to addressing whether government agencies are carrying out their mandates, oversight also helps to identify and discourage public corruption. Decision-makers benefit from insight's impartial evaluation of government initiatives, policies, practices, and outcomes. Trends and new difficulties are recognized by foresight.
- Internal auditing has developed into a crucial internal assurance mechanism for public financial controls. It also serves as a tool for monitoring and assessing managerial actions before they are subject to an external auditor's evaluation.
- Internal auditors guarantee value for money in public procurement while also advancing transparency, justice, and a decrease in corruption. Any public expenditure management system must include an internal audit function in order to guarantee that public spending stays within budgetary constraints, that payments follow prescribed guidelines, that accounts are reconciled on time, and that efficient systems are in place for managing and accounting for both financial and physical assets.
- Along with working with management to enhance service delivery and guarantee compliance with relevant laws, they also report instances where risks are not being mitigated to an acceptable level and offer independent, unbiased assurance to an organization's management.
- Internal auditors are a crucial component of government financial management and a tool for raising public sector performance and performance management standards. Additionally, internal auditors may be crucial in carrying out value-for-money (VFM) audits, also known as Performance Audits. The audit of the economy, efficiency, and efficacy of government spending or spending plans is the focus of performance audits. Performance auditing is primarily concerned with determining whether companies are acting appropriately and efficiently.

3.8 Uses of Technologies

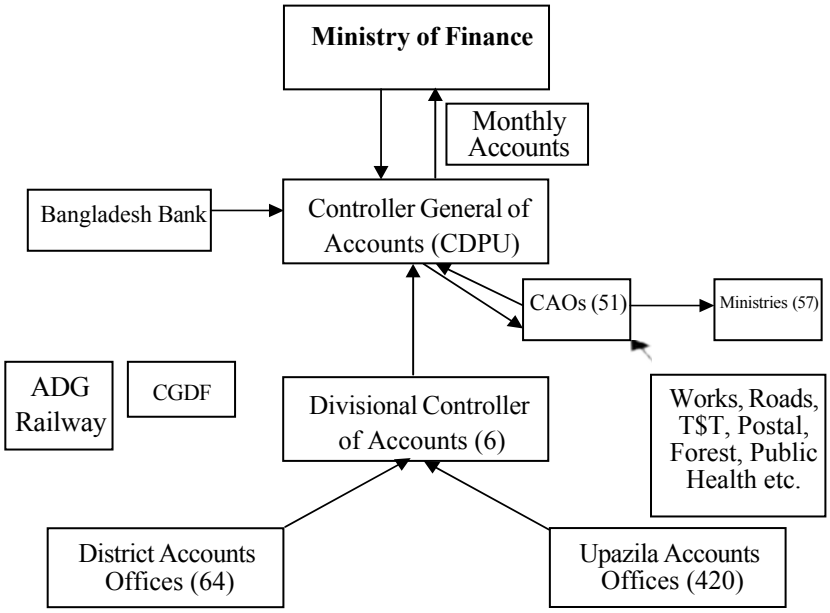
Technology is a blessing for us as it makes our livings easier and smoother. We can see the use of technology around us everywhere. Public Sector is also using technologies. Uses of technology and digitalization is a reason of the better performance of the public sector. In this study, the focus is to understanding how the technology has been used in public sector in Bangladesh. Furthermore, it focuses on the benefits and challenges of using the technology.

3.8.1 Uses of Technologies in Public Sector Accounting Bangladesh

- Uses of Integrated Budgeting and Accounting System (iBAS)

The government of Bangladesh (GoB) and the ministry of finance (MoF) have benefited greatly from iBAS's assistance in making significant and vital advancements in their use of computers and networks, as well as in increasing their familiarity with and proficiency with computer-based financial systems. Along with the increased controls that better reporting to management offers, iBAS has also significantly increased reporting speed. For the MoF and the government, these developments are truly noteworthy and should be applauded (Pollock & Bruce, 2010).

Because of the limitation of iBAS, iBAS++ has taken place. In these reforms, integration between accounting and budget has been prioritized. The iBAS++ is concerned with monitoring, assessment, performance evaluation, and management to ensure the integration. The data flow in different level in this iBAS++.



Source: *(C&AG: Comptroller & Auditor General, CGDF: Controller and General Defense Finance; ADG: Additional Director General; CAO: Chief Accounts Officer and CDPU: Central Data Processing Unit.)*

(Rajib & Hoque, Application of ICT in Public Sector Accounting of Bangladesh, 2017)

Through iBAS, the CGA in Bangladesh is able to provide information on public sector accounting on the internet. Thus, it appears that information disclosed with the aid of iBAS is enhancing accountability in Bangladesh's public sector accounting (Rajib & Hoque, Application of ICT in Public Sector Accounting of Bangladesh, 2017). Rather than changing the methods (cash basis vs accrual basis), the iBAS has strengthened the structural integrity of public sector accounting. Public accountability and the PSA management process have both improved with the introduction and development of the iBAS. The accounting processes across various public accounting administrations and levels have accelerated thanks to iBAS. Simultaneously, through assisting CGA in making information publicly available, iBAS has reinforced the endeavor to guarantee public accountability. These systems facilitate centralized data management and analysis by enabling government entities to electronically submit their budget proposals. Using electronic systems for budgeting speeds up decision-making, improves data accuracy, and minimizes paperwork.

- E-governance in public offices

E-Government refers to the implementation of information and communication technology (ICT) at all levels of government in order to interact with businesses, provide services to citizens, and communicate and exchange information quickly, conveniently, efficiently, and transparently between various government agencies. It improves the accountability, responsiveness, and transparency of government processes. However, accountability, transparency, and participation in administration are hallmarks of good governance. Good governance and e-government are related concerns in the public administration process (Sharmin & Islam, 2013).

- Financial Reporting Software

The uses of financial reporting software increase the accuracy of the financial report. It reduces the human error. The chances of fraud are also reduced for the use of this. Data transparency and usefulness is also increased. The decision-making process become more accurate for this too.

- Data Analysis Software

The use of data analytics software in accounting has increased the efficiency of an organization. The resource allocation and decision making became easier with the help of this software. This system can analyze a large database in a short time which help organization to become efficient and save time. Also, it can reduce the human error.

3.8.2 Benefits of using technology in Public Sector

In public sector, the uses of technology increase the performance and efficiency in several ways. Such as,

- Transparency and Accountability

Technological developments in data analytics, data visualization, data sharing, and secure data storage have the potential to improve government accountability and transparency. More accessibility to data enables citizens to assess the efficacy of programs and how resources are being used. Proponents of extensive data sharing argue that transparency is a prerequisite for accountability, as it will empower citizens to hold their governments responsible for achieving particular goals and upholding certain principles.

- Accuracy and Reliability

The chances of human error are reduced due to the use of technology on public sector. As a result, the standards on reporting and data collecting have improved a lot. The accuracy and reliability of a financial report of the public sector is also increased. So, the stakeholder can easily rely the financial reporting.

- Performance Improvement

Technology is presented as a key component of promises to improve public services and restore public trust in the government. Numerous aspects of government service, including speed, accuracy, convenience, dependability, and even program outcomes, may be enhanced by technology (though automation or digitization may also result in a decline in service quality).

- Efficiency and Cost Reduction

Governments have had to figure out how to provide services in an increasingly constrained environment as a result of tax-cutting politics, which has caused per capita revenue in many areas of government to decline over time.

- Crises

Crises can provide crucial turning points for innovation—and in the case of COVID-19, substantial funding for novel technologies—but they can also overwhelm agencies to the point where they are unable to strategically use technology. The COVID-19 pandemic caused agencies to quickly adapt to providing services while following to public health orders, which significantly accelerated the adoption of technology in the public sector. The pandemic revealed other areas of underinvestment and the public sector's antiquated technology infrastructure as an unprecedented number of people required government services.

Source: (Hinkley, 2023)

3.8.3 Challenges of using technology in Public Sector

There are also some risks of using technology. Such as,

- Cost-effective Procurement

Deloitte reports that 79% of government agencies find it difficult to procure digitally. There is no way to ensure your Digital Transformation initiative will be successful, and it can be costly to find the right partner who can offer leadership and consulting in addition to project management and specialized skills.

- Skills-gap

Digital transformation is hampered by accepting legacy systems and maintaining inefficient processes. People "make do" with the current systems far too frequently because there aren't enough internal resources or experts to bring about significant change. Forty percent of public sector organizations lack the internal expertise necessary to adjust to the Digital Transformation.

- Cyber-security Risk

The use of technology has also faced the cyber-security risk. The reliance on technologies is the reason of this risk. It is harder to keep data safe from the unethical hacker. So, the risk is also high for a public sector because if the sensitive information got theft the organization itself will be in risk.

- Employee Adoption

Company culture is one of the main obstacles to digital transformation in the public sector. Strong leadership and an environment at work that is adaptable to change and eager to use new technologies are prerequisites for digital maturity. In order to effectively implement Digital Transformation, public sector organizations must cultivate a top-down, digital-first strategy. Every company must keep its staff members up to date on the latest technological developments. Any changes you make, from strategy to implementation, are likely to have an immediate effect on processes and, most of the time, necessitate employee training. You can maximize the potential of the new technology and increase employee adoption rates by involving staff members in the Digital Transformation process from the beginning.

Source: (Hallam, 2021)

Chapter 4: Challenges in Public Sector Accounting

There are several problems in a public sector of a country. In this study, the focus is to find some major challenges faced by a public sector of Bangladesh.

4.1 Political Intervention

Public management, according to Bozeman and Straussman (1990), entails management that is influenced by political power. Politician and manager relationships in NPM are closer and more flexible than in the past. A hazy position toward actual performance orientation has resulted from politicians' dual ownership as members of the government, the regulatory arm of that industry (such as BB in the banking industry and BTRC in the mobile phone industry), and their management arm in state-owned enterprises. The public administration's governance structure is inadequate. The politicization of the civil service and its impact on administrative performance are fundamental issues in governance. Every level of the nation's government is corrupt. It leads to poor economic decisions and limits the capacity of the government to carry out policies (The World bank, 1996). Corruption is said to increase when there is monopoly and discretion, weak accountability, and low pay for public employees. Corruption in Bangladesh's public sector has permeated the private sector. Administrative corruption is exacerbated by corrupt behavior cultivated by powerful political figures.

4.2 Lack of Bureaucracy and Accountability

The sector's line Ministry is the entity to which the state-owned enterprise (SOEs) is answerable. Every Ministry oversees its daily activities and bears primary accountability for formulating policies pertaining to the SOEs falling under their jurisdiction. Cabinet-level decisions are made regarding administrative prices and privatization. Moreover, the Ministry of Finance must approve any SOE expenditure decision that affects the budget. The Ministry of Planning must also support expenditure decisions involving the annual development program (ADP), and the Executive Committee of the National Economic Council (ECNEC), the highest decision-making body on the ADP, must give its final approval. As a result, organizing financing for SOEs is a time-consuming procedure. Because SOEs are politically run, the political agenda wins out at the expense of the stability and profitability of the SOEs. Unable to decide on a priority, the SOEs have vacillated between social goals, political objectives, and economic mission. Because of this, SOEs must balance competing objectives, make an undefined trade-off between them, and deal with high political and public expectations.

4.3 Technology Gap and Lack of Innovation

Recent research on "Innovative Technology and Bank Profitability: The Bangladesh Experience" by Bangladesh Bank (BB) reveals that banks that use technology see higher profits and lower risk. Additionally, it shows that almost all 3,500 private bank branches—compared to 46 percent a decade ago—are computerized. Banks are benefiting from technology-driven business models that lower capital mobilization costs and boost profitability. In contrast, the rural NCB branches do not yet have any technology. The best possible use of information technology is necessary for the civil services to operate in an efficient and economical manner. Automated teller machines (ATMs), credit cards, debit cards, point of sale (POS) systems, phone banking, and online banking are examples of technology-driven products that are still not available in NCBs. Thus, a lack of innovation and technology use results in the extensive working coverage of SOEs being neglected.

4.4 Dual Ownership of Management

There are two main ownership groups in Bangladesh's SOEs: the government and the management. The government's business is simultaneously handled by the civil servants and the Chief Executive, who is the political head of the Ministry. The effectiveness of government is largely dependent on how public laws and policies are implemented. However, the public sector's institutions are growing more and more incompetent, dysfunctional, and failing. Partisan allegiance and massive bribery are the foundations for the civil service's selection, recruitment, training, posting, and advancement. As a result, the nation's SOEs are managed by an incompetent management structure and are directed by unstable political leadership. The CEO receives compensation commensurate with their level of expertise in any given business. The highest level of managerial activity is strategic management. In a private company, the CEO usually plans, develops, or provides guidance for strategies. The Board of Directors then approves or authorizes them, and the organization's senior executives or top management team oversee their implementation. It is anticipated by the NPM principle of practical professional management skills that chief executives will be private sector management specialists. Chief executives should ideally be hired from the private sector, where their experience and qualifications in management will be on par with those in the public sector. However, Bangladeshi public sector workers are insensitive to the general public (i.e., customers), extremely bureaucratic and self-serving, and progressively unable to run a contemporary government in a pluralist democracy.

4.5 Corruption

Corruption in Bangladesh's public sector is not a standalone issue; it is encouraged by the dishonest behavior of powerful political figures. It is thought that the nation's politicians are deeply embroiled in widespread corruption. Consequently, political corruption's limb is administrative corruption. Politicians' pressure to carry out their unlawful orders, bureaucrats' fear of punitive transfers, and their perception or reality of removal threats frequently lead them to compromise their professional ethics and the interests of the public. Most officials would rather conspire with

their political overlords and split the spoils from the misuse of official positions rather than take the chance of losing their jobs or positions. It is now well known that dishonest politicians and dishonest bureaucrats have a cozy relationship and that they profit handsomely from most agreements and projects undertaken on the state's behalf. There are connections of this kind all the way up the administrative chain. This is an amicable agreement that safeguards the individual interests of both parties. It goes without saying that this weakens and renders ineffective the system of control because officials and other higher-ups in the political sphere lose the moral courage to confront their subordinates about careless actions and/or documented malpractice. The experience of Bangladesh also demonstrates that bureaucrats who form "god-fatherly" bonds with political figures are largely shielded from outside oversight since the latter step in to save them in the event of any trouble. During this process, some officials turn into sacred cows and get away with it because very few people in positions of power have the guts to criticize them, even when they are obviously in the wrong.

In Bangladesh, the public sector has not lived up to expectations. Both the level of client satisfaction and the quality of the services are low. In addition to systemic flaws, which are the result of antiquated policies and practices, the bureaucracy is still deeply ingrained in an administrative culture that is shaped by ideas of clientelism and a paternalistic attitude toward the populace. Public organizations are too distracted by corruption in the public sector in Bangladesh, lack a clear mission, and perform poorly.

The 1991 start of the democratic transition is still ongoing. More is needed for democratic consolidation than just regular free elections and legislative gatherings to approve executive appointments. A strong national integrity system that oversees accountability structures, tracks bureaucratic performance, corrects administrative delinquency, closely monitors government operations, and makes grievance mechanisms accessible to the public is one of the many essential elements of consolidation. With the combined efforts of the Parliament, civil society organizations, an impartial anti-corruption agency, responsible media, and an educated public, corruption can be eradicated from the administrative system. Bangladesh has not experienced this.

The public's problems have been made worse in recent years by widespread corruption, which has grown enormously. Despite the fact that corruption is widely acknowledged in the political, civil society, and business sectors, no real effort has been made to combat it by successive democratic governments. The international donor community has been pleading with the ruling political leadership to address the issue, but they have ignored them. As a result, policy failures, massive economic waste, abandoned projects, social degeneration, and public suffering have resulted from their inability to reform the public integrity system (ZAFARULLAH & SIDDIQUEE, 2001).

4.6 Challenges in Public Sector Accounting Practices

I. Accrual Accounting Adoption and Implementation

Bangladesh met a notable obstacle in its shift from cash-based to accrual-based accounting. Government officials needed extensive institutional capacity building and training in order to comprehend and successfully implement accrual accounting.

II. Financial Reporting and Disclosure

Public entities' accountability and transparency are impacted by inadequate financial disclosure and reporting procedures. Public inquiry and efficient decision-making were hampered by the absence of timely and reliable financial information.

III. Public Financial Management

Ineffective public financial management techniques, such as budget execution and spending controls, made it difficult to manage public funds effectively.

IV. Capacity and Training

One major issue facing the public sector was the dearth of qualified accountants and financial specialists. The accrual accounting system was not properly implemented or maintained due to a lack of capacity and expertise.

V. Governance and Independence

The efficacy of oversight and enforcement of accounting standards has been questioned due to the regulatory bodies, such as the Office of the Comptroller and Auditor General (CAG), lacking adequate independence.

Chapter 5: Public Sector VS Private Sector Accounting

The private sector is typically represented by profitable businesses, and the public sector is typically represented by government organizations (Murray, 2022). In this report, the focus is to understand that how the public and private sector works and the basic differences among them. Furthermore, the study also discusses the accounting practices and differences among public and private sector.

5.1 How Do the Public Sector and Private Sector Work

The public and private sectors are frequently brought up when discussing the effects of a recession. What do those terms actually mean, though? They are employed in the process of comparing various economic organization types and their functionalities (Murray, 2022).

- How the Public Sector Works

All entities owned or connected to the federal government, state governments, and local governments are considered to be part of the public sector. Services to the general public, such as education, welfare, safety, security, public transportation, natural resources, social housing, infrastructure, food security, and health care, are the main focus of public-sector organizations of a country or economy.

The public sector includes federal organizations such as the IRS, FBI, and Department of Labor, as well as state services such as unemployment insurance, fire and police departments, children and family services, insurance regulation, financial services, and medical. In actuality, public sector data is used by the Federal Reserve Board and the Bureau of Economic Analysis to assess the financial and economic performance of the country, and by state and local agencies to develop budgets and programs.

- How the Private Sector Works

The private sector consists of individuals, companies, and groups that work in a range of industries, including manufacturing, retail, and construction. This industry comprises both public and private businesses, from massive corporations like Amazon and Walmart to tiny mom-and-pop shops.

Private-sector companies concentrate on entrepreneurial activities, taking calculated risks to produce profits and create jobs. These businesses are owned and operated by private individuals or companies. They have an incentive to be efficient because they are competitive.

5.2 Comparison of Public Sector vs. Private Sector

	Public Sector	Private Sector
Types of Organizations	Government	For-profit businesses
Types of Goods Provided	Public goods that benefit all	Private goods that benefit individuals, businesses, organizations
Ownership	The public	Individuals, shareholders
Profit-Making?	No	Yes
Types of Workers	Civil servants	Employees and independent contractors

Source: (Murray, 2022)

- Ownership

Companies in the private sector are owned by people. For instance, a sole proprietorship or LLC may be owned by a single person or by a group of people, whereas corporations are owned by shareholders. Governmental organizations are "owned" by and function on behalf of the people; they are not privately held.

- Types of Goods Produced

Everyone benefits equally from public goods like national defense. Public-sector companies provide these goods, and taxes cover the cost of delivery. Only one person or business is allowed to consume a particular private good. Examples of private goods include food, cars, homes, and offices. Private goods are beneficial to both individuals and businesses. Individuals or companies cover the cost of them.

- Employment

The public and private sectors have different employment practices. When it comes to particular rules, such as those requiring meal breaks and labor laws, such as the Occupational Safety and Health Act (OSHA), for instance, the Department of Labor makes a distinction between the two categories of employers.910 The Fair Labor Standards Act (FLSA), the primary employment law, only applies to workers employed by private sector businesses, or those involved in interstate commerce, which is almost all businesses.

- Efficiency and Productivity

Private sector companies are thought to be more competitive and productive because their primary goal is to turn a profit. Organizations in the public sector, however, operate as de facto monopolies. For instance, the FBI is the only federal law enforcement agency, and most cities only have one police force.

Because they are not compelled to turn a profit, public organizations are typically less effective and productive.14 The IZA World of Work. "The Effects of Public Sector Employment on the Economy." Nonetheless, by producing public goods, lowering unemployment, and keeping the economy stable during recessions, public-sector businesses play a significant role in the economy.

5.3 Accounting practices in Public Sector and Private Sector

Public and private sector accounting are two distinct accounting disciplines that are employed for various reasons and in various organizational settings. There are some major differences between them

- Purpose and Objectives

Public Sector Accounting: The main objective of public sector accounting is to monitor and document the financial operations of government agencies, nonprofit organizations, and local, state, and federal governments. The primary goal is to ensure accountability, openness, and good stewardship of essentially public funds.

Private Sector Accounting: Accounting for the Private Sector deals with the financial operations of corporations, partnerships, private companies, and some other profit-seeking entities. Assessing the organization's financial performance and primarily giving stakeholders information for decision-making and profit maximization is the sort of main goal.

- Basis of Accounting

Accounting in the Public Sector: Transactions in the Public sector is typically recorded using cash basis or modified cash accounting. It places more of an emphasis on resource availability and cash flow than it does on profit.

Private Sector Accounting: Accrual accounting is the foundation of private sector accounting. where, whether or not money is exchanged, the transaction is documented. A more accurate picture of a company's financial performance and position over a given time period is provided by this accounting system.

- Budgeting and financing

Public Sector Accounting: The goal of public sector accounting is to manage public finances efficiently so that public services can be provided. This covers financial planning and funding with tax and appropriation money.

Private Sector Accounting: Mainly focused on making a profit, private sector accounting involves capital contributions, loans, investments, and revenue from the sale of goods and services in addition to budgeting and funding.

- Reporting Standards

Public Sector Accounting: Government-specific accounting rules and regulations set by government authorities are frequently followed in public sector accounting. For instance, public sector organizations all over the world use the International Public Sector Accounting Standard (IPSAS) for reporting.

Private Sector Accounting: In general, Private Sector Accounting adheres to standards established by recognized bodies, such as the United States' Generally Accepted Accounting Principles (GAAP) or the International Financial Reporting Standard (IFRS).

- Profit Motive

Public Sector Accounting: Organizations in the public sector are not profit-driven, and the main goal of their financial reporting is to show that they are accountable and responsible with public funds and resources.

Private Sector Accounting: Businesses operating in the private sector seek to maximize profits, and their financial reporting is focused on evaluating profitability and financial performance for investors and shareholders.

- Accounting Base

Public Sector Accounting: The legal constitution of the nation serves as the foundation for accounting in the public sector.

Private Sector Accounting: The Company and Allied Matters Decree governs it in the private field.

- Revenue Sources

Public Sector Accounting: The revenue received by the public sector from taxes, penalties, and fees.

Private Sector Accounting: Revenues in the private sector come from the sale of products and services.

- Recording Cost

Public Sector Accounting: The public sector writes off the cost of assets in a year.

Private Sector Accounting: In the private sector, asset costs are dispersed over the span of the assets' useful lives.

- Reports

Public Sector Accounting: In the public sector, the report is mainly prepared for the public of the country.

Public Sector Accounting: Private sector prepares annual report for the shareholder of the organization.

Chapter 6: Recommendation and Conclusion

6.1 Recommendation

- Strengthening the Public Sector Accounting Framework

If the government wants to improve financial reporting's comparability and transparency, it needed to think about coordinating the public sector accounting framework with international standards like IPSAS. Accounting standards should be updated and revised on a regular basis to keep up with shifting financial conditions.

- IPSAS Adoption

Government should give public sector organizations resources and assistance to help them transition to IPSAS and maintain compliance. Also encouraging the complete implementation of IPSAS or create a regional framework for accounting standards that is closely in line with global best practices is important.

- Enhancing Budgetary Accounting

Government has to make sure that all financial transactions are accurately and promptly recorded to enhance the budgetary accounting process. Use cutting-edge budgeting strategies to enhance financial discipline and more effectively allocate resources, such as performance-based budgeting.

- Financial Reporting Transparency

Government should encourage public sector organizations to release thorough financial reports that give a clear picture of their performance and financial health because it is very important to have open financial reporting procedures in order to foster stakeholder trust.

- Strengthening Audit and Internal Control Mechanisms

Government must boost the autonomy and efficiency of internal auditing operations in government agencies and invest more into providing auditors with training and capacity building to guarantee they possess the necessary abilities to perform comprehensive and successful audits.

- Ensure proper use of technology

Technological advancements can help governments fulfill their duty to invest public funds in a transparent manner while maintaining public safety. Governments are gradually utilizing recent technological advancements like blockchain and artificial intelligence (AI) to increase the effectiveness of the services they provide.

6.2 Conclusion

In conclusion, Bangladesh government has done a great job in recent years. It has successfully increased the efficiency of public sector by increasing the accountability and transparency. Furthermore, government increased the quality of budgeting, financial reporting, performance measurement and so on. To improve the public sector performance more the government of Bangladesh may take some steps.

These include strengthening audit and internal control systems, enhancing budgeting procedures, raising the transparency of financial reporting, proper use of technology, bringing accounting frameworks into compliance with international standards, and resolving to fully implement IPSAS or comparable standards.

Also, Bangladesh could significantly improve its public sector accounting procedures by putting these recommendations into practice. This would increase public trust in the management of public finances and foster greater governance and resource allocation. Reaching these objectives will contribute to the long-term growth and economic prosperity of the nation.

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