

## Administration

### Appointment of New Governor

11.1 Dr. Atiur Rahman took charge as the Governor and chairman of the Board from 1 May 2009 after the completion of the tenure by Dr. Salehuddin Ahmed.

### Appointment of New Directors in the Board

11.2 Mr. M Musharraf Hossain Bhuiyan was appointed as Director of the Board in place of Mr. Jafar Ahmad Chowdhury with effect from 2 March 2009. Dr. Nasiruddin Ahmed was appointed as Director of the Board in place of Mr. Muhammad Abdul Mazid with effect from 21 April 2009. Besides, Dr. Wahid Uddin Mahmud was Director of the Board upto 18 January 2009.

A total of nine meetings of the Board of Directors were held during FY09.

### Executive Committee

11.3 Under section 12(1) of Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972) the Executive Committee was constituted as follows:

Dr. Atiur Rahman	Chairman
Mr. Md. Nazrul Huda	Member
Dr. Mohammad Ali Taslim	Member
Mr. M Musharraf Hossain Bhuiyan	Member
Mr. Mir Abdur Rahim	Secretary

A total of five meetings of the Executive Committee were held during FY09.

### Audit Committee of the Board

11.4 In line with the international practice for strengthening corporate governance, an Audit Committee comprising of four non-executive directors was formed on 12 August 2002 to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting and the audit process. The present composition of the Committee is as follows:

Dr. Momtaz Uddin Ahmed	Convener
Dr. Muhammad Ismail Hossain	Member
Mr. M Musharraf Hossain Bhuiyan	Member
Dr. Nasiruddin Ahmed	Member

A total of four meetings of the Audit Committee were held during FY09.

In accordance with the Internal Audit Department Charter approved by the Audit Committee of the Board of Directors of Bangladesh Bank, the Internal Audit Department (IAD) in FY08 identified 40 auditable units (departments/offices/units/cells) and chalked up the audit plan for FY09. Audits were conducted twice a year in the 15 auditable units identified as high risk, and once a year in the other units identified as medium risk or low risk. The audit reports were placed before the Governor and before the Audit Committee of the Board. Four meeting of the Board's Audit Committee were held in FY09. The guidance/

## Box 11.1

**Risk Based Internal Audit**

Bangladesh Bank has introduced "Risk-based Internal Audit" approach in performing internal audit activities of the Bank. In accordance with the Internal Audit Department charter approved by the Audit Committee of the Board of Directors of Bangladesh Bank, the Internal Audit Department (IAD) is to provide independent, objective assurance and consulting services designed to add value and improve the Bangladesh Bank operations. As mentioned in the charter, IAD is committed to standards of best professional practice, such as International Internal Auditing standards. The standards consist of Attributable standards, Performance standards, and Implementation standards.

Under the risk-based audit approach, audit planning process initiates with defining audit scope and risk criteria, constructing risk model, ranking the auditable units and finally the development of the 'Annual Audit Plan'. The implementation of annual plan begins with developing audit programme covering the scope of identifying the control and weaknesses along with the risk exposure. Then fieldwork takes place to review and justify the control and weaknesses along with the risk which is concluded by developing audit findings. The findings are discussed and reviewed before finalisation and are reported to the Audit Committee of the Board and the senior management if those are of a critical nature and have a major impact on the organisation. Then internal auditors follow up to ensure that appropriate and timely action has been taken on audit findings and recommendations. Apart internal audit uses the external audit reports and ensures that any issues raised by the external auditors have been followed up by the management.

directives/recommendations received by the IAD from the Governor and the Audit Committee were conveyed to the relevant auditable units for implementation. Progress reports on implementation of these guidance/directives/recommendations were placed before the meeting of the Audit Committee. An internal audit expert provided by the IMF have been periodically visiting Bangladesh Bank to assist IAD in strengthening and upgrading the skills in IAD in performing risk based auditing (Box 11.1).

Some preliminary work has been in progress since 2006 in strengthening the risk management functions in Bangladesh Bank in the framework of Enterprise wide Risk Management (ERM). The IAD played its role in facilitating and coordinating the preliminary work in identifying risks in different functional/operational areas. Direct engagement in risk management functions is not the role intended or appropriate for IAD; nevertheless, the IAD will play role in assisting and coordinating the work of Bangladesh Bank management in chalking out and implementing a roadmap for ERM in the Bangladesh Bank.

**New Appointment in Different Posts**

11.5 During FY09, 1 Assistant Programmer, 150 Assistant Director (General Side), 1 Computer Operation Supervisor, 2 Assistant System Analyst/Programmer have been appointed.

Assistant Programmer	1
Assistant Director (General Side)	150
Computer Operation Supervisor	1
Assistant System Analyst/Programmer	2
<b>Total :</b>	<b>154</b>

**Retirement, Voluntary Retirement, Resignation, Death, Compulsory Retirement, Removal and Dismissal**

11.6 The number of official/staff of the Bank retired/voluntary retirement/resigned/died/compulsorily retired/removed/dismitted during FY09 was as under:

Retirement	156
Voluntary Retirement	5
Resignation	28
Death	22
Compulsory Retirement	1
Removal	8
Dismissal	1
<b>Total :</b>	<b>221</b>

### **Creation/Abolition of Posts**

11.7 In FY09, 55 posts of officers and 2 posts of staff of the Bank have been created. 536 posts have been upgraded and 536 posts of officials have been abolished. As a result, the total number of posts (sanctioned strength) of employees has been increased from 7134 to 7191 at the end of FY09.

### **Working Strength of Officials and Staff**

11.8 During FY09, the number of officials of the Bank decreased from 4031 to 4020. The number of staff stood at 1239. At the end of FY09, the number of vacant posts was 1932.

### **Number of Officers on Deputation/Lien**

11.9 During FY09, 53 officials of the Bank were on deputation in different institutions of the country. A total of 49 officials of the Bank were on lien during FY09, of which 19 officials were at home and 30 officials were abroad.

### **Newly Established Department of the Bank**

11.10 Two new departments namely Foreign Exchange Operation Department, and Debt Management Department have been established during FY09.

### **Welfare Activities and Approval of Scholarship**

11.11 During FY09, an amount of Taka 2.07 million has been provided to the children of officials and staff as scholarship and Taka 0.18 million has been given as medical assistance from the Karmachary/Karmakarta Kallyan Tahbil. Besides, an amount of Taka 20.35 million has been allotted to Bangladesh Bank Schools, Mosques, Clubs, Day Care, Freedom Fighters' Welfare Units etc. to carry out their recreation and welfare activities.

### **Foreign Training and Study**

11.12 During FY09, 303 officials of the Bank participated in different training courses/seminars/ workshops abroad. Moreover, 22 officials were allowed to perform their higher studies abroad.

### **Domestic Training and Study**

11.13 A total of 324 officials of the Bank participated in the training courses organised by different institutions (other than BBTA) within the country during FY09. Moreover, 5 officials were allowed education leave to pursue their higher studies in the country.

### **Implementation of Performance Management System (PMS)**

11.14 Bangladesh Bank successfully introduced Performance Management System (PMS) from appraisal year 2007-2008. For fine tuning of the newly introduced system, several number of intensive awareness programmes were held throughout the Bank including the Branch Offices covering most of the supervisory officers to make them enable to appraise their appraisees objectively. During the awareness programme, the participants put some valueable suggestions and comments. In line with their recommendations/suggestions, PMS Manual and Booklet were revised/amended to address in that extent.

### **Training Courses, Workshops and Seminars Conducted by the Bangladesh Bank Training Academy (BTA)**

11.15 With a view to improving theoretical and practical knowledge as well as increasing the professional skill and efficiency of the officers of Bangladesh Bank, Scheduled Banks, Financial Institutions and other related organisations, the Bangladesh Bank Training Academy

(BBTA) conducted a total of 127 training courses/workshops/seminars during FY09, of which 107 training courses/workshops/seminars were held at BBTA premises, Dhaka and 20 were held at other outstation offices of BB. A total of 5549 participants participated, of which 3602 from Bangladesh Bank and 1947 from scheduled banks and other organisations. Courses conducted by the BBTA during FY09 are shown in Table 11.1.

**Table 11.1 Statement on different training courses, workshops and seminars organised by the Bangladesh Bank Training Academy during FY09**

Sl. no	Subjects	Number of courses	No. of participants
1	2	3	4
<b>1. Foundation</b>		<b>2</b>	<b>83</b>
	Foundation Course-2008 (Assistant Director)	1	68
	Foundation Course-2009 (Assistant Programmer, Asst. Maintenance Engineer & Sr. Computer Operator)	1	15
<b>2. Special Training Courses</b>			
<b>a) For Bangladesh Bank officials</b>		<b>32</b>	<b>777</b>
i)	Banking Supervision & Report Writing Techniques	2	38
ii)	Financial Management	1	30
iii)	IT Auditing & E-Business System Auditing	2	48
iv)	E-Commerce & E-Banking	2	51
v)	Safety, Security & Crisis Management	1	26
vi)	Payment & Settlement System	1	23
vii)	Training and Legal Matters	1	24
viii)	Leadership, Team Building & Negotiation Skills	1	21
ix)	Importance & Use of Fire Extinguisher	1	30
x)	Risk Based Auditing	2	49
xi)	Assets Liability Management of FI's	1	25
xii)	Debt Management & Debt Securities Market in Bangladesh	1	40
xiii)	Islamic Banking Finance	1	23
xiv)	Course relating to Act, Laws & Regulations	1	20
xv)	Bank Supervision under BASEL-II accord	1	24
xvi)	E-Governance	1	26
xvii)	Liquidity Forecasting, Monetary Theory & Practice	1	23
xviii)	English Language Proficiency Course	1	19
xix)	Risk Focused Supervision, Inspection and Risk Assessment	1	19
xx)	System Check of Commercial Bank	1	22
xxi)	Risk Based Audit & Internal Audit	1	22
xxii)	Inflation Targeting & Management of Inflation	1	20
xxiii)	Credit Risk Grading	3	81
xxiv)	Performance of Domestic Debt in Bangladesh	1	27
xxv)	SME Development and Management for Local Product	1	23
xxvi)	In service Training (Cash)	1	23
<b>b) For the Officers of Commercial Banks</b>		<b>17</b>	<b>616</b>
i)	Money and Banking Data Reporting	4	149
ii)	Foreign Exchange Transaction Reporting Techniques	4	143
iii)	Detection, Disposal of Forged and Mutilated Note	3	120
iv)	Managing Core Risk in Banks	1	19
v)	Credit Risk Grading & CAMELS Rating	1	35
viii)	Core Risk Management & BASEL-II	1	35
ix)	Entrepreneurship Development in SME Sector	1	40

Sl. no	Subjects	Number of courses	No. of participants
1	2	3	4
<b>3. Workshops/Seminars</b>		<b>23</b>	<b>869</b>
i)	Filling Up of CIP-01 Form	18	672
ii)	Anti Money Laundering & Counter Financing against Terrorism	1	40
iii)	Prudential Regulation of Bank Supervision	1	40
iv)	Financing Agriculture & SME by Commercial Banks	2	67
v)	Financing in SME	1	50
<b>4. Workshops/Seminars (Bangladesh Bank)</b>		<b>16</b>	<b>503</b>
i)	Workshop on Implementation of BASEL-II	3	127
ii)	Internet & E-mail	1	24
iii)	Prevention of Fraud & Forgery in Banks	1	29
iv)	Bank Merger & Acquisition	1	40
v)	IT Auditing & E-business System Auditing	1	26
vi)	Ethics & Malpractices in Banks	1	28
vii)	Public Debt Management	1	25
viii)	Money Laundering in Bangladesh & its preventive Measures	1	40
ix)	Corporate Governance of Banking companies	1	27
x)	BASEL II: A modern approach	1	30
xi)	Prevention of Fraud, Forgeries & Malpractices in Banks	1	25
xii)	Anti-Money Laundering-Present Development	1	23
xiii)	Macroeconomics impact of the Budget	1	29
xiv)	Seminar on Group Lending in Microcredit	1	30
<b>5. Special Training/ Workshops/Seminars/ Course (As Per Request)</b>		<b>37</b>	<b>2701</b>
i)	ICT Activities of BB Under ICT Security Policy	1	24
ii)	Institutional Visit of Navy	1	11
iii)	Seminars on Banking Issues (For Journalist)	1	40
iv)	Workshop on BASEL II (Guidelines For Risk Based Capital Adequacy)	5	222
v)	Seminar on Financing in SME	3	150
vi)	Role of Bankers to Smooth Credit Flow to Women entrepreneurship in SMEs	1	39
vii)	Microsoft Office-2007	25	2215
<b>Grand Total :</b>		<b>127</b>	<b>5549</b>

### Central Bank Strengthening Project (IDA Credit No. 3792 BD)

11.16 Bangladesh Bank is implementing the Central Bank Strengthening Project (CBSP) with financial assistance of the International Development Association (IDA). The main objective of the project is to transform Bangladesh Bank into a modern and dynamic central bank capable to play appropriate regulatory and supervisory role in the monetary and banking sector. Previously the total cost of the project was Taka 3050.43 million (USD 43.46 million). As per 2<sup>nd</sup> revised TPP total cost of the project is Taka 3892.02 million, of which IDA will provide Taka 3060.04 million and the

rest Taka 832.00 million will be borne by the Bangladesh Bank. The project started in late 2003 and expected to be completed by 2011. The main components of the project are : (A) Reorganisation and Modernisation (Functional Reorganisation, Automation, Human Resources Development);(B) Capacity Building (Strengthening Research Department, Strengthening Prudential Regulations and Supervision, Strengthening Accounting and Auditing) and (C) Strengthening the Legal Framework.

Total allocation and expenditure of CBSP Cell during FY09 are as follows:

Components	Tak in million
I. Total allocation	507.9
a. Bangladesh Bank	16.4
b. Reimbursable Project Aid	491.5
II. Total Expenditure	195.9
a. Bangladesh Bank	16.4
b. Reimbursable Project Aid	179.5

A component-wise brief description of the developments made so far is as follows-

#### A. Reorganisation and Modernisation Functional reorganisation

In order to make the activities of Bangladesh Bank more dynamic, functional reorganisation of the Bank has been accomplished through abolishing and merging a number of departments of the Bank. Besides, functions of some departments have been reorganised. Formulation of Departmental Objectives and Key Performance Indicators was done ensuring that they are perfectly aligned with the overall mission and vision of the Bank. Modernisation of BBTA, modern office layout, IT lab have been incorporated in the project in order to support the reform initiatives.

#### Automation

With a view to introducing automation in the overall functions of Bangladesh Bank, a good number of initiatives has been undertaken under

the project, such as establishment of LAN/WAN among different offices and departments, implementation of ERP, Banking Package, Data warehouse etc. Out of these initiatives, necessary hard wares like PCs, printers and other equipments have already been procured. Basic computer training has also been imparted to 2200 officials. LAN/WAN infrastructure is about to be completed soon. ERP package is under implementation at the moment. Rests are at final stage of procurement and which are expected to be completed soon.

#### Human Resources Development

With a view to developing the efficiency of the human resources of the Bank a modern performance based promotion policy, Recognition and Award policy, Training Need Assessment (TNA), a new training policy and procedure for the officials are now being followed.

#### B. Capacity Building

##### Strengthening Prudential Regulations and Supervisions

To supervise the financial institutions, a comprehensive inspection manual has been prepared which is now followed by the concerned departments.

##### Strengthening Accounting and Auditing Standards

A Financial Management Manual and an Internal Audit Manual have been prepared, which are now under implementation by BB.

#### C. Strengthening the Legal Framework

In order to build in-house legal capacity, the Law department has been restructured and officials of Law Department along with BB officials having academic background in Law were trained under this component. In addition, a separate Law Library has been set up in that Department.