

BANGLADESH RURAL ELECTRIFICATION BOARD

DHAKA, BANGLADESH

PBS INSTRUCTION 200-02

BREB INSTRUCTION 600-25

SUBJECT: AUDIT OF BREB Borrowers' (PBSs') ACCOUNTING RECORDS

I. PURPOSE:

The purpose of this Instruction is to set forth the policy of the Bangladesh Rural Electrification Board (BREB) with respect to the audit of **BREB Borrowers'** (PBSs) Accounts and records. Section IX to XI along with the attachment, Annexure-01 to Annexure-09 of this Instruction will act as a "Guide" for the External Auditors be assigned for conducting the Audit.

II. POLICY:

A. The Palli Bidyut Samities (PBSs) will have their accounts and supporting records audited annually, at the end of each fiscal year, by independent Chartered Accountants selected by BREB. The selection of Chartered Accountant, execution of audit agreement, performance of the annual audit, preparation and submission of reports and management report will be in accordance with the procedures set out in this Instruction.

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(Md. Mozibur Rahman)
Consultant, TAPP, BREB

(Md. Duhidul Islam)
Consultant, TAPP, BREB

(Md. Mozammel Haq)
Consultant, TAPP, BREB

(Md. Abdul Khaleque)
Consultant, TAPP, BREB

(Md. Ahsanul Haque)
Consultant, TAPP, BREB

(Debasish Chakraborty)
PD, TAPP, BREB

(Kamrul Ahsan Mollik)
Asst. Secy. (Board), BREB.

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B. When necessary for the protection of BREB's loan security or the furtherance of the objectives of the BREB program, BREB will make special examinations of the PBSs' accounts and other records, and will review accounting and other related activities with respect to loans, construction and operations matters. The extent of such activities will depend on the circumstances in each particular case.

III. **PURPOSES OF THE ANNUAL AUDIT:**

Annual audit of the PBSs shall be performed in accordance with generally accepted auditing standards including the auditing standard as desired by BREB and accordingly include such tests of the accounting records as deemed necessary under the circumstances. The specific purposes of annual audit of PBSs are to:

- Express an opinion on whether the financial statements of PBSs under audit are presented fairly, in all material respects, the financial position and the results of its operations in conformity with accepted accounting principles prescribed by BREB.
- Obtain a sufficient understanding of the internal control structure of the Samity, assess control risk, and identify reportable conditions, including internal control weaknesses.

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(Md. Mozibur Rahman)
Consultant TAPP, BREB

(Md. Duhidul Islam)
Consultant TAPP, BREB

(Md. Mozaffar Huda)
Consultant TAPP, BREB

(Md. Abdul Khaleque)
Consultant, TAPP, BREB

(Md. Ahsanul Haque)
Consultant TAPP, BREB

(Debasish Chakraborty)
PD, TAPP, BREB.

(Kamrul Ahsan Mollik)
Asst. Secy. (Board), BREB.

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- Perform tests to determine whether the Samity complied, in all material respects, with the PBS Instruction Series 100, 200 and 300 in carrying out financial activities and to identify the instances of non-compliances, if any.
- Determine that the states of affairs of the PBSs and revenues and expenses are accurately reported to BREB in the monthly FINANCIAL AND STATISTICAL REPORT Form 550.

IV. RESPONSIBILITY AND PROCEDURES:

- A. PBS Audit Directorate of BREB is responsible for arranging the annual audit of PBSs in time and assuring timely receipt and reporting to the BREB of all PBSs' audit reports, as well as the special examination referred to above.
- B. PBS Board is responsible for assuring submission of financial statements to the auditors in time so that audit can be completed within the scheduled time and reports can be submitted to BREB in time.
- C. BREB will pre-qualify and prepare a list of intending Chartered Accountant Firms and select auditors out of that list for conducting audit of the PBSs. A committee comprising of the following officials of BREB will prequalify and prepare the list of Chartered Accountant Firms for approval of BREB Board :

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(Md. Mozibur Rahman)
Consultant, TAPP, BREB



(Md. Duhiduj Islam)
Consultant, TAPP, BREB


(Md. Mozammil Haq)
Consultant, TAPP, BREB


(Md. Abdul Khaleque)
Consultant, TAPP, BREB


(Md. Ahsanul Haque)
Consultant TAPP, BREB


(Debasish Chakraborty)
PD, TAPP, BREB


(Kamrul Ahsan Mollik)
Asst. Secy. (Board), BREB.

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Controller (Finance & Accounts) Secretary	- Chairman - Member
Director (Financial Monitoring) / Director (PBS Monitoring & Management Operation) (Whoever is senior) (One Official nominated by Member, PBS Director (PBS Audit)	- Member - Member - Member-Secretary

In selecting the auditors the selection procedure mentioned in Section VII of this Instruction is to be applied.

- D. The responsibility for execution of the Audit Agreement is placed in the Borrowers' Board of Directors. Complying with this responsibility, the Samity Board will enter into an Audit Agreement with the Chartered Accountant Firm selected by BREB. The Agreement will be in the form as set forth in Annexure-1 to this Instruction. A copy of this Agreement will be sent to BREB immediately upon execution.
- E. All audits will be performed in accordance with the requirements of this Instruction.
- F. Auditors are required to submit reports as per Audit Agreement entered into by them with PBS Board.
- G. The PBS management on receipt of draft audit reports is responsible to prepare their written comments on the issues/observations reported by the auditors and submit the same to PBS Audit Directorate of BREB.

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(Md. Mozibur Rahman)
Consultant TAPP, BREB

(Md. Duhidul Islam)
Consultant, TAPP, BREB

(Md. Mozammel Haq)
Consultant, TAPP, BREB

(Md. Abdul Khaleque)
Consultant, TAPP, BREB

(Md. Ansumul Haque)
Consultant TAPP, BREB

(Debasish Chakraborty)
PD, TAPP, BREB.

(Kamrul Absar Molla)
Asst. Secy. (Board), BREB.

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H. In order to finalize the audit reports, PBS Audit Directorate will arrange a discussion meeting with the Auditors and PBS management. Issues and observations contained in the Auditors' Report will be discussed in detail in the said meeting.

I. Issues and observations that will remain in the final reports will need to be followed up by the PBS Audit Directorate. Director, PBS Audit Directorate will set out schedules for follow up reporting and status of the issues at periodical intervals.

V. DISCLOSURE OF FRAUD, IRREGULARITIES AND ILLEGAL ACTS:

Although the detection of fraud, irregularities and illegal acts is not the primary function of an audit, the auditor must be constantly alert to situations or transactions that indicate the existence of such acts.

Because of the nature of the loans and BREB's responsibility for protecting the Government's interest as lender, BREB requires that, in the event of a definite indication of fraud, irregularity and illegal acts are disclosed, the auditor will promptly notify the same to BREB and the President of the Samity Board.

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(Md. Mozibur Rahman)
Consultant, TAPP, BREB

(Md. Duhidul Islam)
Consultant, TAPP, BREB

(Md. Mozammel Haq)
Consultant, TAPP, BREB

(Md. Abdul Khaleque)
Consultant, TAPP, BREB

(Md. Ahsanul Haque)
Consultant, TAPP, BREB

(Debasish Chakraborty)
PD, TAPP, BREB

(Kamrul Ahsan Mollik)
Asst. Secy. (Board), BREB.

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