

BANGLADESH RURAL ELECTRIFICATION BOARD
DHAKA, BANGLADESH

PBS INSTRUCTION 200-26

INTERNAL AUDIT OF PBSs' ACCOUNTS AND RECORDS


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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০


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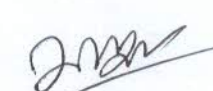
Revision:

PBS INSTRUCTION 200-26				
Original Date	Reviewed by	Approved by	Page	Revision No.
27.01.1985	BREB	BREB Board	1	3
Revisions : 03/1996, 24/12/2013, 19/02/2020				


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1. INTRODUCTION

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 PBSs' accounts and records.

For the protection of BREB's loan security and for the furtherance of the objectives of the RE Program, BREB will conduct audit of PBSs' accounts and other records in accordance with the procedures stated herein and the "PBS AUDIT MANUAL" which is a part of this Instruction. When necessary, BREB will also conduct special examination of PBSs' records and other related activities with respect to loans, construction and operation matters. The extent of such examination will depend on the circumstances in each particular case. Examples of such audit and special examination are:

- Analyses of PBS financial status, utilizing any audit reports available to determine the security of proposed loans or provide assurance of continued security of existing loans.
- Assistance, in co-ordination with BREB Financial Monitoring/PBS Audit Directorate, to PBSs in the installation of systems of accounts and records in conformance with BREB requirements.

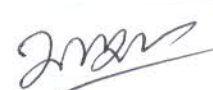
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- Determination that loan funds are safeguarded and properly used, and that PBSs' construction and installation program are carried out in accordance with the loan contracts and policies of BREB
- Review of PBSs' records forming the basis for the financial reports submitted to BREB to determine that they are maintained in conformity with the prescribed accounting system.
- Special analyses of PBSs operating conditions and results to aid BREB in planning and executing program activities.
- Assistance to PBSs in the prevention of fraud and in the determination of facts with respect to reported or suspected irregularities.

RESPONSIBILITY:

As set forth in the BREB Organizational Manual, the PBS Audit Directorate is responsible for conducting audit of PBSs' accounts and records.

The PBS Audit Directorate is also responsible to conduct special examination of PBSs' accounts and records as and when necessary.

The audit will be performed, reports prepared and submitted in accordance with the requirements contained in the "PBS AUDIT MANUAL".

PROCEDURES:

- The PBS Audit Directorate will prepare the audit program for conducting the audit in PBSs.

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- At the beginning of each fiscal year, the PBS Audit Directorate will chalk out a schedule of activities to be performed during the year and that schedule will be approved by Member (Finance).

2. **PLANNING AND UNDERTAKING THE AUDIT**

Total Program:

In order to get the best results from an examination, proper planning of the audit is essential. The Director, PBS Audit should plan the activities by preparing at the beginning of each fiscal year a schedule of the examination to be done during the year. This schedule will include the name of the PBSs to be examined, the scope of work to be done, the date(s) of examination, duration of examination and the staff assigned to each PBS. The importance of this schedule is that it gives an overall view of the work to be done; designates priority of audit assignments and shows how the audit work is distributed among the staff.


For preparation of the schedule described above, various factors should be taken into consideration. Some of these are:

- Availability of competent staff members: The staff members engaged to do field work should be competent to perform the assigned job.
- Budgeted expenditure of the PBS Audit Directorate: Traveling expenses may be minimized, if the adjoining PBSs are visited one after the other.

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- Proper timing of the audit: The work load of the PBS management to be audited should be considered so that there is minimum interruption of the work of the PBS during audit.
- Work schedule of the external auditors: The work of BREB auditors should be coordinated with the external auditors to avoid duplication of work.
- The audit schedule should be so flexible as to provide allowances for the extension of the audit engagement due to unavoidable circumstances. This schedule must be approved by the Member (Finance) before it is implemented. It should be reviewed periodically and updated when necessary.

SCOPE AND FREQUENCY OF EXAMINATION

The audit examination of a PBS should normally be conducted at least once a year. The frequency of examination should, however, depend on the importance and size of the PBS and if necessary, special examination of PBS accounts and records may be done in addition to the annual audit examination.

The normal audit examination should cover the following areas:

- Billing, collection and receivables.
- Operating and collection funds.
- Stores (materials and supplies).
- Fixed assets and movable equipment.
- Construction work in progress.

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27.01.1985	BREB	BREB Board	5	3
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