

**BANGLADESH RURAL ELECTRIFICATION BOARD
DHAKA, BANGLADESH**

BREB INSTRUCTION 600-08

SUBJECT: INTERNAL CONTROL OF BREB OPERATIONS.

I. PURPOSE:

This Instruction sets forth policy guideline with respect to internal control of BREB operations.

II. GENERAL:

The general welfare of BREB operations requires adherence to high standards of business conduct so that the Board may have the confidence and support of the public as well as of the Borrowers (PBSs)/ Stakeholders. Internal control is essential to sound business operations. It consists of the plan of organization and procedures established by a business for the purpose of safeguarding assets, assuring accuracy in accounting and operational data, promoting efficiency of operations and encouraging adherence to management policies.

III. POLICY

Establishment of Internal Control Procedures:

A. The establishment of internal control procedures is the direct and immediate responsibility of the BREB management. The measure which should be adopted is governed by commonly accepted accounting and business management procedures. The characteristics of a satisfactory system of internal control will include:

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1. A plan of organization which provides appropriate segregation of functional responsibilities.
2. A system of authorization and record keeping procedures adequate to provide reasonable accounting control over assets, liabilities, revenues and expenses.
3. Sound practices to be followed in performance of duties and functions of each organizational department.
4. Assignment of qualified personnel commensurate with responsibilities.

B. CHECKLIST:

BREB Management shall be responsible for ensuring that control procedures established for sound operation of the Organization have been properly followed in carrying out operations including financial activities.

Management should use the Checklist attached to this Instruction (Attachment-1) which has been designed for reviewing and determining the adequacy of internal control procedures and also for identifying the additional measures which might be taken to improve overall position of internal control.

The Checklist provides a series of questions, covering important phases of system operations, which are to be answered on a 'yes' or 'no' basis. A 'yes' answer will indicate that internal control is present in that particular activity. Although a 'no' answer to a question does not necessarily indicate a deficiency, since alternative procedures may provide adequate control, it is indicative to determine that the alternative control measures have been established.

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Based on the result of assessment and review of internal control procedures through the checklist. Management shall identify and take necessary measures to establish controls in the areas where weaknesses in control are noted.


ENFORCEMENT OF INTERNAL CONTROL MEASURES & REMEDIAL ACTIONS:


- A. Compliance with internal control requirements established by the Board should be periodically reviewed minimum once in a year and corrective measures be taken where non compliance is found. As soon as a breach of internal control measures is discovered, management should ascertain the person or persons responsible therefor and the extent to which the system's business and property and its integrity and reputation, are affected.
- B. If an investigation discloses an apparent defalcation, fraud or other irregularity or impropriety on the part of any officer or employee, agent or contracting party, the Board, after evaluating the relevant and material facts and circumstances should take appropriate action as follows:
1. Where the acts involve no violation of law, but there are some irregular or improper as to tend to damage the reputation of the BREB in the community and to reflect adversely upon the BREB Program, Management shall immediately take corrective measures, including suspension of the offender from employment where this is indicated to be necessary or desirable.

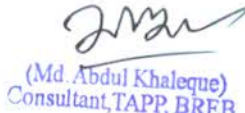
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Where the acts, upon consultation with the BREB Legal Advisor, clearly appear that there is involvement of violation of law, the offender shall be immediately separated or suspended from employment and the infraction shall be reported to the proper prosecuting authority.

2. The required notice shall be served to the Bonding/ Insurance Company where the acts relate to matters covered by the Fidelity Bond Coverage.
3. Where the acts involve pecuniary loss, the matter shall be referred to the Legal Advisor for consultation with the Bonding/Insurance Company.
4. Where there is uncertainty as to whether the acts of an insured employee, officer, or agent are covered by the fidelity Bond / insurance or whether all such acts as may be covered by the insurance have been discovered, the known facts shall be presented to the Bonding / Insurance Company in writing. The person or persons involved should not remain in the employment unless the Bonding/Insurance Company's consent to continuance of coverage under the bond is obtained.
5. The Chairman, BREB shall be notified immediately of any irregularity affecting funds or property, reporting the action already taken and any proposed course of action. Such communication should indicate clearly whether the Bonding/ Insurance Company has been notified and, if so, a copy of the notice shall be enclosed.
6. Immediate action shall be taken to install precautionary measures or existing internal control arrangements to prevent recurrence of similar acts shall be strengthened.

Enclosed: Attachment-I (Page-1 to 9)

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BREB Instruction 600-08
INTERNAL CONTROL CHECKLIST

I. GENERAL:

	<u>Yes</u>	<u>NO</u>
1. Are policies established by the board prescribed in a clear-cut, decisive fashion?
2. Is a file of such policies maintained and available to all employees concerned?
3. In general do methods and procedures conform to such policies?
4. Are well-designed systems and procedures including organization charts, job descriptions, work flow charts, etc., established and maintained?
5. Are employees' duties reasonably fixed as to both authority and responsibility?
6. Where possible, are duties among employees rotated?
7. Are duties of employees on vacation performed by other persons?
8. Does fidelity bond coverage meet REB requirements? (See REB Instruction 600-4)
9. Is the insurance program reviewed periodically by management?
10. If persons related to one another are employed, are their duties such as to make collusion difficult?
11. Are all new employees required to provide bio-data for employment?
12. Are inquiries made of all references and former employers mentioned by new employees?

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	<u>Yes</u>	<u>NO</u>
13. Have internal control procedures been reviewed by management by use of this checklist.
14. Is data relating to claims against the Borrower filed and controlled systematically?
15. Are safes and vaults provided for cash, securities, and important records and is access limited to a few employees?
16. Is the working space of custodians of valuable assets not readily accessible to the general public?
17. Are required monthly/quarterly financial reports timely and accurately prepared?
18. Does the Controller (Finance & Account) maintain checklist on required monthly/quarterly reports and its reconciliations?
19. Are monthly or other periodic comparisons made between operating reports and the budget?
20. Are funds deposited only in the scheduled banks as approved by the Board?
21. Are minutes of Board meetings prepared promptly?
22. Are all documents and reports prepared carefully reviewed and checked for accuracy and completeness before signature and submission?
23. Are all employees who are responsible for preparing reports informed of their responsibility for accuracy and completeness of the reports?
24. Are employees informed periodically regarding penalties for false reporting?


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