

BANGLADESH RURAL ELECTRIFICATION BOARD

DHAKA, BANGLADESH

BREB INSTRUCTION 600-25

PBS INSTRUCTION 200-02

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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B. When necessary for the protection of BREB¹s 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, access control risk, and identify reportable conditions, including internal control weaknesses.

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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:

- 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.
- 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.
- 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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Controller (Finance & Accounts) Secretary	- Chairman - Member
Director(Financial Monitoring)/ Director(PBS Monitoring & Management Operation) (Whoever is senior)	- Member
(One Official nominated by Member, PBS	- Member
Director(PBS Audit)	- 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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- 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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VI. SCOPE OF THE AUDIT AND FORM OF REPORT:

The PBSs are financed by BREB through providing operational loans in cash and other loans in kind. For the purpose of financing the PBSs, BREB has been arranging funds from donors as loan through the Government of Bangladesh. It is as such essential for BREB to ensure that the PBSs' financial statements are drawn and books and records are maintained in conformity with the accounting principles prescribed by BREB and the financial data as shown in the financial statements represent a true and fair view of the state of affairs of the PBSs and the results of their operations.

In order to meet BREB requirements, the audit should include the following:

- Examination of all aspects of the PBS as far as they are relevant to the financial statements being audited.
- Obtaining reasonable assurance as to whether the information contained in the underlying accounting records and other data is reliable and sufficient as the basis for the preparation of the financial statements.
- Ascertaining the degree of compliance in capturing and recording the information in the underlying accounting records with the PBS Instruction Series 200 prescribed by BREB.

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- Assuring that the financial statements are properly stated in all material respects and presented as per requirement of BREB, if any, and adequate disclosure as may be required by BREB have been made with regard to the items of financial statements.
- Issuing audit reports including management report Employees' Gratuity report & CPF report in the format as prescribed in this Instruction for uniformity of reporting in respect of all PBSs.

VII. PREQUALIFICATION AND SELECTION OF CHARTERED ACCOUNTANTS

BREB will prequalify and prepare a list of the intending Chartered Accountant Firms for selection of auditors out of that list in respect of each PBS. The general principles to be followed in prequalifying and selecting of auditors are as follows:

- Chartered Accountant Firms in practice for less than two (2) years after registration shall not be considered for inclusion in the panel of auditors. Updated "Practice Certificate" is required in this regard.
- Chartered Accountant Firms engaged in audit of PBSs for three (3) consecutive years shall not be included in the panel of auditors for next one (1) year.

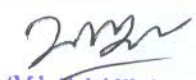
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- Any Firm engaged in auditing of accounts of BREB for any year shall not be included in the panel for auditing of PBSs for that year.
- Overall performance of any Firm in previous year's audit, if is found not satisfactory, that Firm shall not be included in panel of auditors for the next three (3) years.
- In order to include new Chartered Accountant Firms in the panel in each year, evaluation criteria will be as follows:


<u>Evaluation criteria</u>	<u>Maximum marks</u>	
Age of the Firm	15	10 marks for the duration in practice for first three (3) years and additional 1 mark for each subsequent year subject to a maximum of 15 marks.
Number of Articled students	15	For each registered articled students, 1 mark will be provided subject to a maximum of 10 marks.
Experience	15	Having experience in auditing of BREB/PBS/ any other Board/ Corporation accounts for three (3) consecutive years. Marking for each year of experience should be proportionate.
Personnel Strength and Logistic support of the Firm.	5	Marks will be provided based on having an independent office and existing personnel. Maximum marks for these criteria will be 5.
Independent office -2 Personnel -3 <u>Total Marks -5</u>		

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VIII. DETERMINATION OF AUDIT FEES

Fees for the audit of accounts of each PBS are to be fixed by BREB from time to time. The basis for fee determination may be number of consumers or any other factors selected by BREB.

IX. GUIDELINES TO AUDITOR

The auditor should recognize and apply, as a minimum, the auditing standards set out below with respect to the conduct of an audit. The auditor should also ensure compliance with its own prescribed auditing standards and practices as well as those prescribed by Institute of Chartered Accountants of Bangladesh.

A. General Standard

All audit work should be carried out by partners and staff having an independent mental attitude and possessing the necessary training, experience, and competence to enable them to perform their tasks. This standard also assumes the exercise of due professional care by partners and staff. Due care requires appropriate direction, supervision, and critical review of the work performed, and of the judgments made, by those participating in the audit.

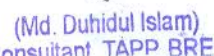
B. Field Work Standards Planning:

An audit engagement must be adequately planned to identify the important audit objectives and to determine the methods of achieving such objectives in an efficient and effective manner. The audit plan should be based on a sound understanding of PBSs business,

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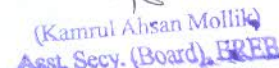

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its operating environment, the nature of its transactions, the systems of recording and accounting for its transactions, and the internal control over such systems.

The audit plan should be documented as part of the working papers, usually by the preparation of planning memorandum or its equivalent. Plans should be revised, as necessary, during the course of the audit.

Review of Internal Control:

The auditor should ascertain, evaluate, and test the operation of any internal control on which he intends to place reliance in determining the nature, extent, and timing of his examination of audit evidence.

Audit Evidence:

The auditor should obtain relevant and reliable audit evidence including such a review of the financial statements as, in conjunction with the conclusions drawn from the other audit evidence obtained is sufficient to give him a reasonable basis for his opinion on the financial statements.

Documentation:

The audit working papers should include a record of the planning and supervision of the audit, the study and evaluation of internal control, the evidence relied upon for the purpose of the audit, and the reasons underlying any significant decisions as to the presentation of information in the financial statements and in the auditor's opinion.

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Audit Program Development:

A carefully prepared audit program is essential to accomplishing audit objectives in an efficient and effective manner. A sample audit program is enclosed in Annexure-2. It will assist the auditor in preparing his audit program. However, this does not relieve the auditor of performing the audit function where necessary to conduct examination.

C. Reporting Standards:

The audit report on the financial statements of the PBSs should include clear expression of the auditor's conclusion on the financial statements. The audit opinions may be unqualified or qualified based on the circumstances of each audit. Examples of an unqualified and a qualified audit report are enclosed in Annexure- 3 and 4 respectively.

BREB expects that all audit examinations should include useful comments and suggestions to management. For this, the auditors are required to submit a management report incorporating the matters relating to accounting and internal control weaknesses of the PBSs that came to their attention during the course of audit. The report should also incorporate auditors recommendations on the facts. It is required that the Management Report, illustrative Management Report, Employees' Gratuity Fund Report and Employees' CPF Fund Report be submitted in the form as appended in Annexure-5 to Annexure-8 respectively.

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X. MATTERS REQUIRING SPECIAL ATTENTION

A. PBS Instruction Series 100, 200 and 300:

BREB has updated PBS Instruction Series 100, 200 and 300. These Instructions are for providing clarification on acceptable accounting and business management of the PBSs. It is essential that the auditors in course of their examination assess management's understanding of the instructions by way of testing transactions from each area of financial activities as may be considered necessary by the auditors. Non-compliances of the Instructions, if any noted, are to be reported in management report.

B. Management Report:

In order to maintain uniformity in reporting by the auditors in respect of all PBSs, it is required that the auditors shall submit a management report (in the form enclosed in Annexure-5) incorporating the matters noted by them in course of their examination. The report should incorporate management's comments on each point mentioned in the report. If the auditors do not intend to issue a management report, the auditors should report this in a letter to Director, PBS Audit Directorate with a copy to the President, PBS Board.

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C. Presentation of the financial statements and disclosures in notes to the financial statements

For the purpose of analysis of the results and affairs of each PBS it is required that uniformity is to be maintained in presentation and disclosures of the Financial Statements of the PBSs. To fulfill this requirement, Financial Statements of PBSs are required to be presented and disclosures to the notes to Financial Statements to be made in the form attached in Annexure-9. The form may be reviewed and updated from time to time by PBS Audit Directorate with the approval of Member, Finance, BREB.

D. Audit Areas to be covered under Audit:

i) Utility Plant:

Utility plant covers major portion of the total assets of the PBS. It is as such desired that the auditors pay due attention to the utility plant accounted for during the audit period, particularly the additions to plant during the audit period.

ii) Investment:

For smooth operation of the PBSs, it is very important that fund should be properly managed by the PBS. In this regard BREB's requirements have been set out in Instruction 200-24 and 200-29. The auditors shall review the compliance of the above mentioned instructions by the PBS in maintaining and operating the bank accounts for various funds of the PBS.

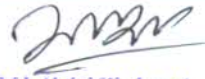
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The auditors are required to ensure that funds have been appropriately placed in the bank accounts throughout the year and no idle fund is held in non-interest bearing accounts.

iii) Long term Loan from BREB:

The PBSs are mostly financed by the REB providing operational loan and long term loans in kind. In course of audit, the auditors must ensure that the cash loans received from BREB and debit note/advice issued by BREB have been timely accounted for by the PBSs and the loan balances at yearend have been properly reconciled with the balances as per books and records of BREB.

xi) Termination/Cancellation of Audit;

The appointment of the Auditor can be terminated or cancelled by Controller (Accounts & Finance) at any stage of Audit on the basis of a formal note either from the PBS or Director, PBS Audit issued to the Auditor on the following grounds;

- (a) Willful disregard or non-compliance of the terms of contract;
- (b) Concealment of facts;
- (c) Poor quality of audit performance;
- (d) Misconduct/Misbehavior with BREB/PBS management; and
- (e) Any other valid reasons which compel to the termination of contract.

Enclosed: Annexure-01 (2 Pages), Annexure-02 (6 Pages), Annexure-03 to Annexure-08 (1 Page each) and Annexure-09 (7 Pages),


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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

SUGGESTED FORM OF AUDIT AGREEMENTAUDIT AGREEMENT

This Agreement made as ofday of.....20
 between
 (hereinafter called the "Samity") and.....
hereinafter called the "Auditor").

In consideration of the mutual undertaking herein contained, the parties hereto agree as follows

1. The Auditor shall audit the accounts and records of the Samity as of _____ day of _____, 20____, in accordance with generally accepted auditing standards and the auditing and reporting requirements of the Bangladesh Rural Electrification Board, set forth in PBS Instruction 200-02, External Audit of PBS Accounting Records.
2. The Auditor shall commence the audit in the office of the Samity at _____ within _____
3. The Auditor shall submit by _____ 20____ two copies each of the draft audit report and management report in the form of sample report as shown in Annexure 3 to 7 (as applicable) including two copies of all audit adjusting and reclassification entries to the Bangladesh Rural Electrification Board and to the President of the Samity Board.
4. The Auditor shall, in addition to the matters noted in course of audit, include the management report their comments on the in following:
- 5
 - a) Financial soundness of the Samity;
 - b) Major Ratios;
 - c) Comment on the subsidy required by the PBS;
 - d) _____
 - e) _____

Page 1/2


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5. Upon completion of the audit, the Auditor shall discuss the audit findings with the General Manager of the Samity and obtain his comments on their findings.
6. The Samity shall make available to the Auditor all books, records, minutes, files and other documents of the Samity necessary for the satisfactory completion of the audit.
7. The Auditor shall make available the audit work papers or certified copies thereof, to the Rural Electrification Board upon request.
8. The Auditor shall upon discovery of any fraud, irregularity and illegal acts (as mentioned in PBS Instruction 200-02) promptly notify the President of the Samity and the Bangladesh Rural Electrification Board of such matters.
9. The Samity shall pay the Auditor for the audit a consolidated fee of Tk _____ (Taka). No other costs will be reimbursed by the Samity.
10. After discussion of draft report with the BREB and Samity management, the Auditor shall submit within 10 days of discussion _____ copies each of audited financial statements and their report on the same and copies each of Management Report Employees' gratuity report & CPF report to BREB and to the President of the Samity Board.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement all as of the day and year first above written.

(Auditor)

(Samity)

By _____

(Title)
(Secretary)


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SAMPLE AUDIT PROGRAMME

Utility Plant

Electric plant in service

1. Obtain and check mathematical accuracy of summary schedules of electric plant in service and accumulated depreciation, and reconcile balances with general ledger, continuing property records. Agree beginning balances to the prior year's audited accounts.
2. Vouch significant additions to electric plant account for propriety by examination of supporting documents such as suppliers' invoices, board minutes, etc.
3. Vouch significant disposals to supporting documents and recomputed gain or loss on disposal.
4. Review the agreements relating to acquisitions, leases, etc. which affect the plant accounts.
5. Physically inspect the items of substantial value included in the PBSS inventories of office equipment, transportation equipment and store equipment.
6. Determine whether costs of removal have been properly accounted for.
7. Perform reasonableness test of depreciation expense and comparison with that of last years.
8. Review the basis of depreciation and rates of depreciation whether these are used as per Instruction 200-21.

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Construction work-in-progress :

1. Obtain and check the schedule of work orders under construction work-in-progress, and reconcile balances with the trial balance and subsidiary records.
2. Determine whether plant construction account includes all applicable costs.
3. Check the amount credited promptly of costs representing completed construction and the same reflect proper plant account.

Investments

1. Obtain and check mathematical accuracy of schedule of investments and reconcile ending balances to the general ledger and subsidiary records. Agree beginning balances to the last year's audited accounts.
2. Review the current year investment income and comparison with that of last year.
3. Examine supporting documents (including board approvals, if applicable) for investment made and encashed during the period.
4. Physically inspect investment. Reconcile the information obtained during inspection to the detail schedule of investments.
5. Obtain confirmation from holders of investments not on hand any) or inspect such investments at the custodian's premises possible)
6. Examine whether the respective PBS is the apparent owner.

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Cash and Working Funds

1. Obtain and check schedules and agree the balances to general ledger and subsidiary records.
2. Reconcile cash at banks with general ledger balances.
3. Obtain confirmation as of balance sheet date from banks and/or other financial institutions with whom the PBSs did business during the year.
4. Obtain from PBS a tabulation of transfers between bank accounts for several days before and after balance sheet date and ascertain that both sides of these transactions have been properly recorded.
5. Consider the need to perform cash count and/or to obtain petty cash confirmation certificate at balance sheet date.

Receivables and Accumulated Provisions for Uncollectible

1. Obtain and check schedules and reconcile the totals of the individual account balances with the control accounts.
2. Confirm selected unpaid consumer accounts and control confirmation request.
3. Check thoroughly into any un-reconciled differences from resulting from requests for confirmation or between subsidiary records and control accounts.
4. Evaluate the adequacy of the accumulated provision for uncollectible.

Material and Supplies

1. Obtain and check accuracy of final inventory sheets and summary schedules and reconcile balances with trial balance, general ledger and subsidiary records.
2. Review the inventory procedures used and test check the price and compute the total value shown in the balance sheet.

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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

3. Physically count a representative number of items and test check them to the physical inventory records.
4. Evaluate and report in the management letter on the adequacy of the control over materials and supplies.
5. Comment on any material discrepancies between the physical inventory, perpetual inventory records and the general ledger balances.

Other Current and Accrued Assets

1. Obtain and check the schedules and agree the balances to the general ledger and subsidiary records.
2. Compare current year balances to prior year amounts. Investigate reasons for unusual fluctuations or relationships and unusual items.
3. Review the nature and composition of each major items included in these categories.
4. Confirm substantial deposits included under this classification by direct certification from the holder of the deposit.

Deferred Debits

1. Obtain and check the schedules and agree the balances to the general ledger and subsidiary records.
2. Review the nature and composition of each major items included in these categories.

Equities and Margins

Membership :

1. Examine the members list and agree the members equities with general ledger and membership subsidiary records.
2. State in the management letter as to the PBSS lack of compliance with articles of incorporation and the bye-laws regarding memberships and the records maintained.

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Equities :

1. Obtain and check the schedule of margins and agree the balances with general ledger and subsidiary records. Also check the prior years balances promptly brought forwarded.
2. Determine whether various margin appropriately classified as prescribed by REB.
3. Examine the donation received records since inception and show in a note in the report including amount returned and the balance at audit date.

Long Term Debts

1. Obtain and check the schedule of long term debts and reconcile balances with general ledger, subsidiary records and most recent statements received from REB.
2. Obtain confirmation from REB directly requesting them to furnish the auditor a confirmation schedule detailed by account number as of the balance sheet date.
3. Obtain confirmation directly from lender for other long term debts (if any).

Current and Accrued Liabilities

1. Reconcile subsidiary records for current and accrued liabilities with general ledger and original data contained in creditors statements, payrolls, consumer advance payments, tax returns, assessments etc.
2. Report in the management letter whether tax liabilities and other liabilities properly accrued and accounted for.

Deferred Credits

1. Review the status of deferred credits held for future disposition.
2. Enquire of appropriate officials as to significant changes (if any) during the year under audit.

Page 5/6


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Revenue and Expenses

1. Review and test the revenue earned and significant amount of expense items of operation.
2. Review the segregation of revenues and expenses as to operating and non-operating.
3. Determine whether billings to consumers conform to approved rate schedules or tariffs.
4. Determine whether all investment income is being properly accrued and accounted for.
5. Test the payroll procedures and state deviations in the management Report (if any).
6. Review the allocation of stationery expenses, payroll etc. between the various heads of accounts as per PBS General Accounts Manual and Accounting Procedure Manual.

Bill Collection:

1. Test the Bill collection made by the Cashier(s) at PBS premises, the Branches of scheduled Banks, Agent Banks, and Mobile Operators etc. and determine whether the said collections are being properly transferred to PBSs' Cash General Fund Account.
2. State in the Management Report of deviations (if any) including suggestions for strengthening bill collection procedures.

Civil Audit:

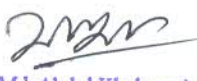
1. Review the observations of civil audit conducted in the PBS.
2. State in the Management Report of compliance of the civil audit.

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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

EXAMPLE OF AN UNQUALIFIED AUDIT REPORTAUDITORS' REPORT TO THE BOARD OF DIRECTORS OF
PALLI BIDYUT SAMITY

We have audited the attached Balance Sheet of _____ Palli Bidyut Samity as at 30 June - and also the Statement of Revenue and Expenses for the year ended on that date. Our examination for the purpose of audit was made in accordance with generally accepted auditing standard and included such tests of the accounting records and other auditing procedures as we considered appropriate in the circumstances.

We report that:

- a) We have obtained all the information we required;
- b) In our opinion, the Balance Sheet and the Statement of Revenue and Expenses have been drawn up in conformity with accounting customs and PBS instructions;
- c) The Balance Sheet and the Statement of Revenue and Expenses read in conjunction with the annexed notes thereto, exhibit a true and fair view of the State of Affairs of the Samity as at 30 June - and of its net margins for the year ended on that date according to the best of our information and explanations given to us and as shown by the books of accounts of the Samity; and
- d) In our opinion, the books of accounts of the Samity have been kept as required by the PBS instructions.

Date:

Chartered Accountant

Page: 1/1


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Asst. Secy. (Board), BREQ.

EXAMPLE OF A QUALIFIED AUDIT REPORT
AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF
PALLI BIDYUT SAMITY

Annexure-4

We have audited the attached Balance Sheet of Palli Bidyut Samity as at 30 June - and also the Statement of Revenue and Expenses for the year ended on that date. Our examination for the purpose of audit was made in accordance with generally accepted auditing standard and included such tests of the accounting records and other auditing procedures as we considered appropriate in the circumstances.

We report that :

- a) We have obtained all the information we required;
- b) In our opinion, the Balance Sheet and the Statement of Revenue and Expenses have been drawn up in conformity with accounting customs and PBS instructions;
- c) In 20..., Tk 1,000,000 was invested in fixed deposit for 3 years with Bank. This investment although matured during the year under audit could not be encashed as the Bank is not in operation. No provision has been made in the accounts for the aforesaid apparently unrealizable investment of Tk 1,000,000 and accrued interest to date of maturity amounting to Tk 500,000. Both the principal amount and the accrued interest have been shown under the head "Miscellaneous Deferred Debit".

Subject to the above, the Balance Sheet and the Statement of Revenue and Expenses read in conjunction with the annexed notes thereto, exhibit a true and fair view of the State of Affairs of the Samity as at 30 June - and of its net margins for the year ended on that date according to the best of our information and explanations given to us and as shown by the books of accounts of the Samity; and

- d) In our opinion, the books of accounts of the Samity have been kept as required by the PBS instructions.

Date:


Chartered Accountant

Page: 1/1


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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

EXAMPLE OF A MANAGEMENT REPORT

The Board of Directors
 _____ PBS

Date:

Dear Sirs

**Matters arising from the audit of
 accounts for the year ended 30 June
 20....**

We set out in the following pages certain matters concerning internal control and accounting practices of your PBS which have come to our notice during the course of our audit.

Each point contained in this report has been divided into three (3) paragraphs narrating following:

First paragraph	Facts
Second paragraph-	Risks
Third paragraph	Recommendation
Fourth paragraph-	Management comment

You will appreciate that our audit procedures are designed primarily enable us to form an opinion on the accounts as a whole and as such they do not necessarily bring to light all the weaknesses in the system; internal control and accounting procedures which a special investigation might do.

Please do not hesitate to contact us should you require further clarification regarding any of the matters discussed in this report.

Thanking you,

Yours faithfully

Chartered Accountant

Page: 1/1


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ILLUSTRATIVE OF MANAGEMENT REPORT**Fidelity Insurance****Facts :**

We noted that the previous policy in respect of employees fidelity had expired on 18 January 20..., which was renewed by the PBS with effect from 1 February 20.... As such the employees remained uninsured for the period 18 January 20..... to 31 January 20.....

Risk :

Incidents, if any, occurred and losses suffered by the PBS during the uninsured period could not be made good through lodging claims to the Insurance Company.

Recommendation :

In order to avoid the risk of loss during the uninsured period, we suggest that insurance premium should be paid in time so as to get the policy renewed with effect from the date on which insurance coverage under previous policy expires.


Management comment:

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EXAMPLE OF A Employees (Staff) Gratuity Fund REPORT

The Board of Directors

_____ PBS

Date.....

AUDITOR'S REPORT

Dear Sir,

In terms of our appointment vide your letter reference no-----, date: -----We have audit the annexed Balance Sheet of ----- **Palli Bidyut Samity's-1/2/3 Employees(Staff) Gratuity Fund** as on June 30,----- And also the annexed income & Expenditure Account for the year indeed on that date with books. Vouchers and other relevant papers and document as maintained and produced to us at the time of our audit.

Our examination was carried out in accordance with Bangladesh Standards of Auditing (BSA) and Bangladesh Accounting Standard (BAS) to the extent as possible in the circumstances and accordingly included such tests or the accounting records and auditing procedures as were considered and possible in the circumstances.

For Provident Fund accounting a cash book, a general ledger and other necessary register are being maintained by the fund management and produced to us at the time of our audit for our verification.

The existing member of the fund as on ----- are ----- We place on record our thanks of the officials of the PBS board appreciation for the courtesy co-operation extended to us during the course of our audit.

In our opinion the Balance Sheet exhibits a true and fair view of the state of affairs of the fund as on ----- and the income & Expendjtur0 Account reflects the true picture of the result of its operation for the year then ended, and the books of accounts have been maintained required by law.

Date:

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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

Employees' Contributory Provident Fund (CPF) Report

Annexure - 8

The Board of Directors

_____ PBS

Date:

AUDITOR'S REPORT

Dear Sir,

In terms of our appointment vide your letter reference no-----, date: -----We have audit the annexed Balance Sheet of ----- Palli Bidyut Samity' s-1/2/3 **Employees' Contributory Provident Fund (CPF)** as on June 30,----- And also the annexed income & Expenditure Account for the year indeed on that date with books. Vouchers and other relevant papers and document as maintained and produced to us at the time of our audit.

Our examination was carried out in accordance with Bangladesh Standards of Auditing (BSA) and Bangladesh Accounting Standard (BAS) to the extent as possible in the circumstances and accordingly included such tests or the accounting records and auditing procedures as were considered and possible in the circumstances.

For Provident Fund accounting a cash book, a general ledger and other necessary register are being maintained by the fund management and produced to us at the time of our audit for our verification.

The existing member of the fund as on ----- are ----- We place on record our thanks of the officials of the PBS board appreciation for the courtesy co-operation extended to us during the course of our audit.

In our opinion the Balance Sheet exhibits a true and fair view of state of affairs of the fund as on ----- and the income & Expenditure Account reflects the true picture of the result of its operation for year then ended, and the books of accounts have been maintained required by law.

Date:

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PRESENTATION OF THE FINANCIAL STATEMENTS
AND
DISCLOSURES IN NOTES TO THE FINANCIAL STATEMENTS


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-----PALLI BIDYUT SAMITY

Balance sheet as at 30 June

ASSETS AND OTHER DEBITS

Utility plant:	Notes 19X1-X2	19X0-X1
1. Electric plant in service	2	
2. Accumulated provision for depreciation	2	
3. Net utility plant in service(1-2)		
4. Construction work In progress	3	
5. Total utility plant(3+4)		
Investment:		
6. Donation reserve fund	4	
7. Replacement reserve fund	5	
8. Contribution to REB revolving fund	6	
9. Investment in associated companies	7	
10. Other Special fund	8	
11. Total investments(6 to 10)		
Current and accrued assets:		
12. Cash	9	
13. Imprest fund	10	
14. Temporary cash investments	11	
15. Special deposits	12	
16. Accounts receivables - electric	13	
17. Accumulated provision for uncollectible Accounts- credit	14	
18. Other accounts receivable	15	
19. Materials and Supplies - electric	16	
20. Materials and Supplies-merchandise	17	
21. Prepayment	18	
22. Other current and accrued assets	19	
23. Total current and accrued assets (12 to 22)		


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Deferred debits

Notes 19X1-X2 19X0-X1

24. Extraordinary Property losses	20
25. Preliminary survey/ investigation charge	21
26. Unclassified expenses	22
27. Temporary facilities	23
28. Other deferred debits	24
29. Total deferred debits	(24 to 28)
30. Total assets and other debits	(5+11+23+29)

LIBLLITIES AND OTHER CREDITS**Equities and margins:**

31. Memberships issued	25
32. Memberships subscribed but not issued	26
33. Operating margins - prior years	27
34. Operating margins - current years	
35. Operating margins - government subsidy	28
36. Non-Operating margins - prior years	29
37. Non-Operating margins - current year	
38. Donated capital and capital gain/loss	30
39. Total equities and margins(31 to 38)	

Long term debt:

31

24. REB loans - cash	
25. REB loans - in kind	
26. REB loans - in kind-provisional	
27. REB loans - others	
28. Total long term debt (40 to 43)	

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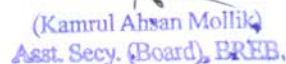

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Other long term liabilities:		Notes	19X1-X2	19X0-X1
29.	Consumer deposits	32		
30.	Employees benefit	33		
31.	Self insurance reserve	34		
32.	Total other long term liabilities(45 to 47)		-----	

Current and accrued liabilities:

24.	Accounts payable	35		
25.	Consumer advance for irrigation	36		
26.	Accrued taxes			
27.	Matured interest	37		
28.	Matured long term debt	38		
29.	Other current and accrued liabilities	39		
30.	Total current and accrued liabilities (49 to 54)		-----	

Deferred credits:


32.	Security advances and deposits	40		
33.	Consumer advances for construction Rehabilitation/ reconstruction	41		
34.	Other deferred credits	42		
59	Total deferred credits(56 to 58)			
60.	Total liabilities and other credits (39+44+48+55+59)			

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----- PALLI BIDYUT SAMITY

Statement of Revenues and
Expenses For the year ended 30
June

Operating revenue:	Notes	19X1-X2	19X0-XJ
1. Sale of electricity	43		
2. Other operating revenue	44		
3. Total operating revenue			
Cost of electric service:			
4. Power purchased	45		
5. Distribution expense - operation and maintenance	46		
6. Consumer selling expense	47		
7. Administration and general expense	48		
8. Total operating and maintenance expense (4 to 7)			
9. Depreciation and amortization expense	2		
10. Tax expense	49		
11. Interest on long term debt	38		
12. Total cost of electric service (8 to 11)			
13. Operating margins (3- 12)			
14. Government subsidy	28		
15. Non-Operating margins - interest	50		
16. Non-Operating margins - Others	51		
17. Net margins (13+14+15+16)			

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----- PALLI BIDYUT SAMITY

Statement of Changes in Financial Position
For the year ended 30 June

X1
SOURCES

Notes 19X1-X2 19X0-X1

1. Internal Sources:

a) Operating surplus	52
b) Interest and other non-operating income	53
c) Depreciation charged for the year	54
d) Adjustment relation to prior year	55
e) Interest on long term debt charged during the year	

Total internal sources (a to e)

2. External Sources:

a) Membership Subscription	
b) Consumer deposits	
c) Long term borrowings	
d) GOB Subsidy	28
e) Donated Capital	
f) Increase in deferred credits	

Total external sources (a to f)

Total sources (1+2)

APPLICATIONS

1. Investments	56
2. Payment into replacement reserve fund	
3. Payment into other funds	
4. Repayment of long term loan	
5. Payment of interest	
6. Increase in deferred debits	

Total applications (1 to 6)

Increase/(decrease) in working capital:

1. Change in cash	
2. Change in non-cash working capital	57


N.B: Comments required on the above statement.

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Cash Flow Statement
For the year ended 30 June

<u>SOURCES OF CASH</u>	Notes	19X1-X2	19X0-X1
1. Cash in hand and at bank at beginning of the year	58		
2. Net margin/(deficit) for the year (before tax)	59		
3. Total (lines 1 + 2)			

Items to be added for conversion to cash basis:

3. Depreciation	60		
4. Amortization and other non-cash items			
5. Loss on Sale of assets			
6. Interest Charged to operation			
7. Decrease in stock			
8. Decrease in accounts receivable			
9. Decrease in other current assets	61		
10. Increase in accounts payable			
11. Increase in income tax payable			
12. Increase in other current liabilities			
13. Others (specify):			
- Decrease in deferred debit			
- Increase in deferred credit			
14. Total (lines 1 to 13)			


Items to be deducted for conversion to cash basis:

15. Gain on Sale of assets			
16. Increase in accounts receivable	16		
17. Increase in Stock			
18. Increase in other current assets			
19. Decrease in accounts payable			
20. Decrease in other current liabilities			
21. Others (Specify):			
- Increase in deferred debit			
- Decrease in deferred credit			
22. Total (lines 15 to 21)			

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	Notes 19X1-X2	19X0-X1
23. Cash flow from operations (line 14-22)		
24. Fresh capital/ grant received	63	
25. Long term loan received	64	
26. Sale of operation fixed assets		
27. Sale of other assets	65	
28. Others (Specify):		
-Consumer deposits		
-GoB subsidy	28	
29. Total Sources of cash (lines 23 to 28)		

USES OF CASH

30. Repayment of long term loans		
31. Acquisition of fixed assets		
32. Investment in other assets	66	
33. Payment of interest		
34. Payment of dividend/ contribution		
35. Prior year's adjustment.		
36. Others (Specify)		
37. Total uses of cash (lines 30 to 36)		
38. Cash in hand and at bank at the end of the year	67	
39. Total (lines 37+38)		
40. Net increase/ decrease in cash during the year (line 1-38)		

N.B.: Comments required on the above statement.

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