

**BREB Instruction 600-28**

**Internal Audit Procedures Manual**


**Bangladesh Rural Electrification Board**

**Dhaka, Bangladesh.**

  
(Md. Mozibur Rahman)  
Consultant, TAPP, BREB

  
(Md. Duhdul 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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**BREB INSTRUCTION 600-28**  
**Internal Audit Procedures Manual**


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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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**BREB INSTRUCTION 600-28**

**Internal Audit Procedures Manual**

**I. Purpose of Manual:**

The purpose of this manual is to provide guidelines and prescribe procedures for an efficient and systematic approach to internal auditing consistent with all BREB policies and regulations defined in the related manuals and instructions.

This manual also contains general principles for the operation of the Internal Audit Directorate, BREB and detailed instructions and procedures for internal audit. Moreover, it will guide audit personnel in the effective discharge of their responsibilities for conducting audit.

**II. Policy:**

The post-audit manual is to provide general principles for auditing of all sort of activities of an office under audit plan in order to detect irregularities, inconsistencies and deviations along with drainage, pilferage, misuse and misappropriation of government fund, BREB fund or both. This policy is formulated as a guideline for conducting post-audit of different BREB offices to protect and ensure BREB interest and government interest as well. As a result, there will be no irregularities, drainage, pilferage, misuse or misappropriation of government or BREB fund. Above all, major audit objections can be avoided and the number of audit objections will be reduced /minimized in the audits conducted by the government agency, Foreign Aided Project Audit Directorate (FAPAD) and Civil Audit conducted by the Office of the Accountant General.

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(Md. Mozibur Rahman)  
Consultant TAPP BREB


  
(Md. Duhidul Islam)  
Consultant TAPP BREB

  
(Md. Mozammel Huq)  
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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### III. Scope of Auditing:

- (a) Internal Audit Directorate is empowered to conduct audit in BREB offices. All sort of works, activities, support jobs executed and the programs implemented by the office so assigned by BREB will be under the scope of audit. The scope of audit will also include day to day administration such as leave and attendance of the employees working there, processing of files along with their movements, decision making efficiency, prompt response to Management directives and proper & timely implementation of the same etc. Besides, recruitment of BREB personnel, promotion/demotion, disciplinary actions and enquiry files can be reviewed and audited under the scope of audit. Audit will be conducted for a specific period covering fiscal years. For the interest of BREB, audit can also be conducted at any office at any time for any period. Consultancy services being rendered in BREB and the PBSs will also be under purview of internal audit. Before conducting and finalization the audit report, BREB Internal Audit Directorate can make correspondences or conduct re-audit as per audit reply. Construction store and store related offices such as PBS and its mini and force work orders will also be under the scope of audit.
- (b) An audit team comprising of at least three (3) officials at the level of Dy. Director (as team leader) and Assistant Director (as members) form the Directorates of Accounts & Finance Division, BREB will be constituted with the approval of the Chairman, BREB for conducting audit in the Internal Audit Directorate.

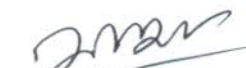
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(Md. Mozibur Rahman)  
Consultant TAPP, BREB

  
(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

  
(Susan Mollik)  
Asst. Secy. (Board), BREB.

- (c) The Office of the Project Director(s) utilizing Foreign Aid and GOB Fund will be audited by the auditors of FAPAD, and the PD offices which are utilizing only GOB Fund will be audited (Civil Audit) by the auditors from the Office of the Accountant General. From BREB side, Internal Audit Directorate will also conduct audit of the Office of the Project Director(s). In addition, while conducting audit of Accounting records and Financial Statements of BREB, CA Firm Auditors will check the same with the records maintained by the Office of the Project Director (s).

#### IV. Auditing Standards

Auditing standards related to the quality of the work are to be performed and the objectives are to be attained by the use of procedures undertaken. Standards may differ from auditing procedures, for which the specific steps are to be taken by the auditors to attain the objectives in the assignment.

There are three (3) types of standards to be considered and followed:

##### (a) General Standards

Under general standards, the auditor himself is considered. The examination should be performed by persons who have adequate proficiency in auditing and knowledge of policies and procedures of the BREB including charter of duties assigned to the Branches and the Directorates. In addition, in all matters relating to the assignment, independence in mental attitude should be maintained by everyone concerned with the audit. Due professional care should be exercised in conducting the audit and in preparing reports thereof.

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(Md. Mozibur Rahman)  
Consultant, TAPP, BREB

(Md. Duhidul Islam)  
Consultant, TAPP, BREB

(Md. Mozammel Haq)  
Consultant, TAPP, BREB

(Md. Abdul Khafeque)  
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) Examination Standards**

Each assignment should be properly planned, giving due consideration to:

- Needs of the users of the report;
- Precise definition of audit objectives;
- Knowledge of the office being audited;
- Materiality and significance of underlying issues;
- Nature and extent of evidence required;
- Reporting requirements;
- Staff conducting the audit should be properly supervised;

Also, an organized study and evaluation should be made of the system of financial management and control to assess the extent to which controls can be relied on in order to:

- Safeguard the assets of BREB ;
- Provide accurate information;
- Ensure compliance with all policies and instructions;
- Determine the extent, the nature and the timing of audit tests needed to verify evidence and controls.

Competent and relevant evidence in sufficient quantity should be obtained to afford a reasonable basis to support conclusions and recommendations.

The audit work papers to be prepared in terms of procedures prescribed in the 'Orientation and Training Manual' of Internal Audit Directorate should make reference to procedures followed in planning and conducting the examination, reviewing its progress, and recording of important decisions relating to the audit.

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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. Ansanul Haque)  
Consultant TAPP, BREB

(Debasish Chakraborty)  
PD, TAPP, BREB

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

(c) Reporting Standards

The report should meet certain standards:

- ✓ The scope and objective of the examination should be clearly stated;
- ✓ If the report attests financial statements, it should contain an opinion on the statements. If an opinion cannot be expressed, the reasons should be stated. Any reservation on financial statements should be fully explained;
- ✓ The report should indicate progress made by the Directorate/Branch on implementing recommendations made in previous audit reports;
- ✓ The systems and controls covered by the examination, indicating their significance should be specified;
- ✓ The audit findings and conclusions in a proper context should be described;
- ✓ The potential effect of inadequacies in the systems of control should be indicated;
- ✓ The courses for remedial action should be suggested in the audit report;
- ✓ The auditor's findings/observations should be supported by evidence in his working papers.
- ✓ Audit reports should be issued as promptly as possible so that timely use can be ensured.

Each item should be presented ;

- ✓ As concise as possible, yet clean and complete so as to be understood;
- ✓ With factual matter in proper and fairly manner;
- ✓ As constructive as possible and objectively.

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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.

৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০



v. **Audit Planning**

Each step in the process of conducting an audit needs to be carefully planned. Each assignment should have due consideration given to the points as stated in "Examination standards" under section-IV (Auditing standards). Specially, the followings should be considered while planning audit;

- ✓ The auditors who will conduct the audit:
- ✓ The policies and instructions relating to the office to be audited.

Planning is a continuous effort and exercise. It should take into account the current developments of the Directorate/Branch, weaknesses discovered during the evaluation of internal control and the results of audit tests which may change priorities in the overall audit.

(a) **Overall Planning:**

Overall planning will be done by the Director of Internal Audit, BREB and his/her assistants and that should be completed before assignments are made.

The main sources of information to be used in overall planning are:

- ✓ Information contained in prior years' audit reports;
- ✓ Proceedings, decisions and reports prepared by the Board;
- ✓ Interviews with BREB officials.

Meetings with management people in the Branch/Directorate are useful in overall planning. They can help to identify matters such as:

- ✓ Action taken by management on previous audit reports;
- ✓ Major changes to systems, procedures and staff pattern;
- ✓ Recent problems or new developments;

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(Md. Mozibur Rahman)  
Consultant, TAPP, BREB

  
(Md. Dujidul Islam)  
Consultant, TAPP, BREB

  
(Md. Mozammel Haq)  
Consultant, TAPP, BREB

  
(Md. Abdul Khaleque)  
Consultant, TAPP, BREB

  
(Md. Afshanul Haque)  
Consultant, TAPP, BREB

  
(Debasish Chakraborty)  
PD, TAPP, BREB

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

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- ✓ Mutually acceptable timing for audits;
- ✓ Tentative Timetables for closing accounts or finalizing other activities.

These are matters that can be dealt with in planning specific audit assignments.

**(b) Assignment Planning**

After completion of overall planning, detailed plans for each assignment should be developed. The audit plans should justify the selection of the specific assignment, state the desired audit objectives, provide an outline of the materiality guidelines for the examination and describe the audit approach to be taken.

Audit plans should include a detailed time budget showing the manpower skills needed and the timing of each assignment.

Audit plans should be updated periodically as work progresses. As the auditor improves his understanding of the systems and procedures, professional judgment may be exercised to amend the plan.

**Preparing a detailed audit plan includes:**

- ✓ Review and understanding of the audit objectives and priorities contained in the overall plan;
- ✓ Meeting with Office Heads of the Directorate/Branch to be audited;
- ✓ Defining specific procedures and techniques for conducting an evaluation of internal control.

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(Md. Mozibur Rahman)  
Consultant, TAPP, BREB

  
(Md. Duhidul Islam)  
Consultant, TAPP, BREB

  
(Md. Mazammel Haq)  
Consultant, TAPP, BREB

  
(Md. Abdul Khaleque)  
Consultant, TAPP, BREB

  
(Md. Ahsanul Haque)  
Consultant, TAPP, BREB

  
(Debasish Chakraborty)  
PD, TAPP, BREB

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

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The principal sources of information for preparing a detailed audit plan are:

- ✓ Interviews with appropriate levels of management;
- ✓ Documentation of policies and procedures applicable to the Branch/ Directorate to be examined;
- ✓ Observations of the working environment in the Branch/ Directorate;
- ✓ Previous audit files and reports.

In short, audit planning will identify the areas to be audited to enable effective scheduling of work and to maximize the use of time and personnel. The preliminary work of the audit plans is to review the accounting methods, operating policies and procedure, system of internal control and organizational structure.

(c) Audit Team

The audit team will consist of at least two (02) staff members of the Internal Audit Directorate, depending on the work load of the office to be audited. The members of the team will be changed from time to time at the discretion of the Director, Internal Audit. Thus different audit teams will audit the offices of BREB and one team will not conduct two(02) consecutive audits of any office.

(d) Frequency of Audit

Internal Audit in various offices should be conducted as of the end of a financial year. Special audit may be conducted as and when management deems it necessary. Such circumstances may arise from the findings of abnormal conditions as shown in the previous audit report.

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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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(e) Annual Audit Schedule

At least two(02) months prior to the commencement of the financial year, the Director, Internal Audit will prepare a schedule of the offices to be audited during the year.

Priority will be given to those offices in which abnormal conditions were reported in previous audit reports.

The schedule will be approved by the Chairman, BREB.

(f) Audit Program

Before starting an audit, a program of the work to be done is generally drawn up by the Director of Internal Audit. He will outline a program according to the requirement of each audit, showing the work to be done, the staff to be assigned and the time frame in which it will be accomplished. In preparation of the audit program, the Director should keep in mind the nature of internal control and its extent as well as the size, composition and functions of the office to be audited.

The audit program is a detailed plan of the audit procedures to be applied to classes of transactions and in evaluation of systems by the auditors performing the audit. The program should provide full instruction, broad hints and guidance to the auditors so that their work can be dependable. When each procedure is completed, the auditors will sign in the signature column of the program showing that the work has been completed and enter the date. This will serve as a check on time and work performance and eliminate the possibility of duplications and omissions. It will also be a tool for future planning and control.

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(Md. Mozibur Rahman)  
Consultant TAPP, BREB

(Md. Duhurul Islam)  
Consultant, TAPP, BREB

(Md. Mozammel Haq)  
Consultant, TAPP, BREB

(Md. Abdul Kariem)  
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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In preparing the program and in later revisions of it, the competence of the personnel should be taken into account. Also, past experience with records to be audited should be considered. The proper timing of the audit is an important factor. The work load of the office to be audited should be considered so as to avoid interruptions to their work as far as it is possible. Also to be considered is the work schedule of external auditors. Work should be coordinated so as not to clash with or duplicate other works.

#### VI. Audit Process

The approach in internal auditing in BREB will be to use systems-based audits. This approach involves examination of the elements that comprises management and control systems, Examination will be performed on:


The organization of the financial control function with particular reference to the most appropriate assignment and segregation of duties and responsibilities to ensure the integrity and accuracy of the transactions and the adequacy of measures to protect against potential fraud.

The methods of recording and processing financial transactions to verify the validity of the data and the degree of efficiency and economy with which the system is operated.

The nature, timeliness, quality and relevance of all the data produced by the system for use by management at all levels in the direction of approved programs.


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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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The adequacy and appropriateness of guidelines concerning policies and instructions, manuals pertaining to operation of the system and the means by which guidelines and instructions are distributed and taught, how they are modified and the degree of adherence to them.

In addition to examining the systems to determine their adequacy, a systems-based audit involves testing them to determine weaknesses and the significance of weaknesses. Reports will then be made to appropriate officials and follow-up made to determine action taken to remedy deficiencies.

The systems-based approach has the advantage of giving the auditor an in-depth understanding and knowledge of the audited offices' activities, thus affording an opportunity to make recommendations for improvement of management and control. The process invites responses, giving management opportunity to express its views and plans for corrective or other action. The auditors' recommendations and management's responses keep the Audit Review Committee informed as to how effective their efforts are.

It is important to understand the significant systems in place and to be aware of the relationship of these systems to the management and controls within the audited office. This knowledge of significant systems helps the auditor understand the office and its mission within BREB. It provides a means of intelligent and effective means of carrying out a well-run audit from beginning to end.

In systems-based auditing the nature, extent and timing of detailed audit procedures are based on the organized study and evaluation of the significant systems and controls.

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(Md. Mozibur Rahman)  
Consultant, TAPP, BREB

  
(Md. Danishul Islam)  
Consultant, TAPP, BREB

  
(Md. Mazammel Haq)  
Consultant, TAPP, BREB

  
(Md. Abdul Khaleque)  
Consultant, TAPP, BREB

  
(Md. Ansanul Haque)  
Consultant, TAPP, BREB

  
(Debasish Chakraborty)  
PD, TAPP, BREB

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

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The study and evaluation determine the extent to which reliance can be placed on the controls to ensure the effective management of resources. Thus the approach enables the auditor to concentrate on the audit effort in those areas where controls either do not exist or are not operating properly.

**VII. Audit Execution**

Audit execution is the phase of the audit in which the auditor conducts the examination that is required to meet audit objectives determined in planning. Thus the purpose, nature, and extent of audit evidence required in this phase are directly related to the audit objectives.

**The execution phase involves:**

Evaluation of aspects of internal control is relevant to the audit objectives that have been specified;

Examination of financial statements, including substantive and period-end tests of transactions and balances where an audit opinion on a financial statement is required.

Audit evidence is evaluated to confirm strengths in the system of internal control or to determine the significance of weaknesses that are the result of the manner in which controls are operating. In addition, the auditor attempts to identify underlying reasons for any deficiencies in the systems under review in order to develop overall audit conclusions and make useful recommendations to management.


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(Md. Mozibur Rahman)  
Consultant TAPP BREB

  
(Md. Duhidul Islam)  
Consultant, TAPP BREB

  
(Md. Mozammel Huq)  
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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The auditing standards for conducting an audit require that an organized study and evaluation be made of the appropriate aspects of the organization's system of internal controls in order to assess the extent to which the controls can be relied upon to:

- ✓ Safeguard the organization's assets
- ✓ Provide accurate information;
- ✓ Ensure compliance with BREB policies, regulations, rules and other applicable guidelines.

Evaluation of internal control consists of the following steps:

(a) **Review, documentation and understanding of the system:**

The planning phase identifies the specific aspects of internal control to be evaluated. In the case of audits of financial statements, all important accounting controls are examined; for other audit examinations, only those aspects of financial management and control which have been approved for audit are evaluated.

The auditor will begin the examination by discussion and inquiry with those individuals responsible for the financial function those who establish policy and design systems and those who process transactions on a day-to-day basis. Meetings with the senior financial officers and a review of organization charts, job descriptions, etc. are useful ways to identify individuals with whom interviews are desirable.

To gain an understanding of the financial system and related controls, it is necessary to determine the duties, inter relationships and expertise of key individuals. It is also necessary to gain an understanding of the various financial reports in use, the books and records used to generate reports and the related forms and processing routines. Forms and reports currently in use should be reviewed and discussed with the organization's staff.

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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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The auditors' initial overview should be documented, using flow charts and narrative descriptions. In this manner strengths and weaknesses begin to come into view.

After the system is documented, a number of transactions representing each area of the system should be traced through for confirmation of understanding.

**(b) Identifying significant controls:**

Perhaps all controls will not be considered and the ones that will be considered need to be determined. If essential controls exist and seem to operate satisfactorily, they are listed for functional testing. Functional testing provides sufficient evidence to support an audit conclusion regarding the adequacy of the controls. If there are important controls missing or some that are operating unsatisfactorily, they must be identified and relevant data be collected to substantiate a conclusion. The effects of such a deficiency must be determined and the causes be documented.

Significant controls can be identified by using detailed questionnaires and other aids.

**(c) Performing a preliminary evaluation of the system.**

Professional judgment is required for concerning and weaknesses of controls. The two (2) preceding steps involve procedures that provide the basis for this preliminary evaluation.

**(d) Those controls that are of primary importance ensure:**

- ✓ That the purpose of the systems is in harmony with the needs of the users and in harmony with the mission of the audited office in BREB and its objectives;
- ✓ That policies and instructions and guidelines of BREB are adhered to;

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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

  
(Debasis Chakraborty)  
PD, TAPP, BREB

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

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- ✓ That operating procedures are carried out economically and efficiently;
- ✓ That all reporting is relevant, accurate and complete;
- ✓ The auditor should be able to determine whether the controls are operating satisfactorily or otherwise and whether they even exist.

(e) **Testing of the significant controls on which reliance will be placed.**

If the systems seem to be operating satisfactorily, they can be relied on without extensive examination. There must be sufficient and appropriate evidence; however, functional tests are used to determine this fact. They give the auditor the necessary degree of evidence that important controls are, in fact, operating satisfactorily.

Methods of testing and extent of testing will vary with the activity under audit. The auditor should have:

- ✓ a clear definition of what constitutes an error;
- ✓ a selection of samples representative of the entire group;
- ✓ a sample size sufficient to make reasonable conclusions;
- ✓ Sample sizes depend on degree of assurance needed. Items to be sampled are obtained through good judgment;
- ✓ Testing is not a full examination. Good tests reduce the uncertainty of making a valid conclusion;
- ✓ Investigation and assessment should be made on the significance of weaknesses that have been disclosed. The requirement for an analysis of the impact of weaknesses is a constructive aspect of system-based auditing.

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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)  
Addl. Secy. (Board), BREB.

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- ✓ The auditor is required to collect substantive evidence on the impact of known weaknesses by identifying instances of errors or irregularities that have remained undetected and assessing their impact.

An investigation of weakness involves gathering evidence that indicates:

- ✓ The root of a problem rather than symptoms;
- ✓ The auditor should bear in minds that significance of the problem and the likely causes of the problem in performing this step;
- ✓ Adverse effects should be quantified where it is practical;
- ✓ The effects may reach beyond the audited office;
- ✓ The cause or effect may be an isolated instance or may be part of a pattern;
- ✓ The cause may not be in the system under examination or in the audited office;

**(f) Developing conclusions and recommendations for remedial action:**

Developing conclusions and recommendations can be done through understanding the causes and effects of inadequate control. It is a matter of translating detailed findings into conclusions. Recommendations are then prepared as guides for remedial action. In making the recommendations, the auditor will not attempt to specify how to achieve them. He is only making suggestions as to what improvements are needed. Needed here is an assessment as to the positive and negative effects that may result, if the recommendations are followed and the cost of such a course. It must be considered too, whether implementing the recommendation is feasible.

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(Md. Mozibur Rahman)  
Consultant, TAPP, BREB


  
(Md. Duhidul Islam)  
Consultant, TAPP, BREB

  
(Md. Mozammel Haq)  
Consultant, TAPP, BREB

  
(Md. Abdul Khateque)  
Consultant, TAPP, BREB

  
(Md. Ahsanul Haque)  
Consultant, TAPP, BREB

  
(Debasish Chakraborty)  
PD, TAPP, BREB

  
(Asst. Secy. (Board), BREB)

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If it is not or if no specific recommendation can be made, then the major contribution to be made by the auditor is to provide a useful analysis of the findings to users of the report.

It is not possible in every case, to make a recommendation.

(g) **Obtaining management's response to the findings and conclusions:**

The final evaluation must be communicated to management. Appropriate feedback should be requested on whether the findings and conclusions are relevant and if the recommendations are understood and implementation is possible.

Such things as these should be considered;

- ✓ Whether facts and opinions are identified as such;
- ✓ Whether sources of evidence are identified;
- ✓ Whether differences of opinion between auditor and manager are recognized.
- ✓ Accurate minutes of the meetings should be taken and all responses be documented.

**VIII. Audit Testing**

A. The gathering of evidence to substantiate findings and recommendations is done by audit testing. The tests relate to both evaluation of internal control and the fairness of financial statements.

**There are three(3) different types of tests:**

**(a) Transactional or walk-through tests:**

They are used to confirm the accuracy of a systems operation by tracing a small number of transactions through the system. Documentation is reviewed for evidence showing if control procedures are being performed.


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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) Functional tests:**

They are used to obtain evidence of the operation of a control feature. They will also show breakdowns in internal control. This is an aid in conducting investigations of weaknesses for verification of causes and consequences of problems.

**(c) Substantive and period-end tests:**

They are for examinations of financial transactions and balances. They are performed to gather evidence to provide a basis for expressing an opinion on financial statements.

**B. Objectives of audit testing.**

The examination of all available records is not physically possible in most cases and cannot be cost-justified. Thus sampling techniques or testing is done. The assumption is that an analysis of representative samples, of a group of items will indicate the condition of the whole. After a through check of the representative sample, it can be assumed that the number of errors found in the sample will show in the entire group in nearly the same proportion. The extent of detailed examination will thus be greatly reduced.

**C. Representative Selection**

Representative selection means assuming that a group of items will be typical of the larger group from which they are drawn. This means taking a large enough sample to include all the characteristics of the large group and selecting items randomly without bias for any of them. The conclusions will then relate to the larger group.

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(Md. Mozibur Rahman)  
Consultant, TAPP, BREB

(Md. Durdul 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

৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৬

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## IX. Financial audit

In financial auditing the auditor will perform his most vital functions. He will be concerned with analysis of financial management and control which assures effective and efficient use of all resources. He will appraise and evaluate the financial system so as to aid in safeguarding the assets of BREB. He will verify accuracy and reliability of financial data and bring to the notice of concerned officials any weakness in the systems such as fraud, waste, commitments to excessive expenditures and expenditures not in compliance with authorizations.

In performing his tasks the auditor will observe, analyze, interview and conduct tests on records and transactions. The scope of his work may change as the audit progresses and will depend largely on his findings. It is necessary for him to maintain objectivity so as not to be hindered by personal feelings in the decisions he must make relating to his work. On the basis of findings and conclusions, he is required to make judgments and recommendations for improvement of the work being audited.

### The areas to be covered in financial audit are:

Cash, Assets & Depreciation, Advances, Prepayments, Other Accounts Receivables, Working Funds, Deposit with other Organizations, Plant Materials & Operating Supplies, Government Grant/Loans, Foreign Grants/ Loans, Accounts Payables, Pay & Allowances, Investments, Pay Fixation, CPF, Imprest Fund etc.

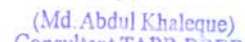
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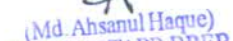
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(Md. Mozibur Rahman)  
Consultant TAPP, BREB


  
(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.

৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০৮

## X. Operational Audit

Operational audits differ from financial audits because they are not as dependent on analysis of transactions as they are on analysis of overall systems. Operational audits are involved more with the operation of the system including the fixing of responsibility and the general performance of specific functions that are not financial in nature but which are as critical to management as the financial data is. In setting its goals and objectives there are many questions that management needs answers to. For example, whether the reports coming across the desk giving accurate information so that they can be used as a basis for decision making and whether the plans are made and the policies of the office developed so that the office to be audited can fulfill its mission efficiently with a minimum of problems.


Therefore, he needs to know that his plans are complete, properly made and they can be understood and learned by all affected persons. If there are weaknesses in his system, he needs to be made aware of them. Excess cost, waste and inefficiency need to be decreased or eliminated, so disclosures of these are critical. He needs help in measuring the efficiency of his personnel and his operations to show that costs are held down and that the job done by the audited department is of good quality. This is a system of internal control that is vital to management people.

The internal auditor, in fulfilling his function in assisting management, seeks to determine whether the department is attaining the goals and objectives of the BREB. He seeks methods of improvement of asset control.

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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.

৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০



He tries to find methods of cost reduction and the elimination of waste and inefficiency. His goal is the evaluation and disclosure of administrative control in areas other than financial.

The auditor's method is the measurement of accuracy and consistency of data contained in reports. The method of making the reports is studied to determine, if improvements can be made in format and meaning. Work is sampled to determine compliance with approved procedures. The auditor will remain always alert to disclose indications of waste and more positively, to find opportunities for improvement.

In approaching his task, the auditor will generally follow a routine to determine what controls are to be examined, what is expected to be accomplished by the examination of them and what records will be examined to determine, if the controls are working properly. A thorough definition of this process should be made showing the relationship of controls to functions.

A preliminary survey will be taken, if necessary, studying organization charts, reading all written instructions and directives pertaining to the office. A thorough knowledge and understanding of all functions of the office are essential for the auditor and the survey will establish it.

Interviews with concerned personnel will be conducted to determine how well they understand their purpose and whether their objectives fit in with the overall goals. In the interview, management can be made aware of and the problems faced can be uncovered. During the visit the auditor can determine what records are available and what reports are made from the records. The overall operation can be observed on a preliminary basis.


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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

  
(Debashish Chakraborty)  
PD, TAPP, BREB

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

৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

Next the field work will be performed. Specific items to be reviewed will already have been selected. These will be reviewed in detail by testing records and observing procedures and methods. As field work progresses, findings should be summarized and evaluated.

The audit report will then be prepared and issued. In it the findings will all be summarized and the opinion of the auditor and other needed opinions will be given. Before issuing the report, it will be reviewed with appropriate people to assure that all findings are factual. Such review will also enable management to understand problems disclosed in the findings and to bring immediate corrective action.

A follow-up of the recommendations will be made. A supplementary report or follow-up letter may be prepared, if necessary.

Operational audits will be performed to review the following activities in offices where the activities are performed:

- a. Procurement
- b. Ware house & project stores
- c. Receiving of materials & its movement
- d. Construction
- e. Loan Fund
- f. Usage & maintenance of Vehicles

#### XI. Audit procedure

A. The post audit of the works performed by the BREB offices will be conducted by the internal Audit Directorate of BREB.

#### B. Audit steps:

1. BREB offices will be audited for each financial year. Internal Audit Directorate will inform the concerned office to be audited, before conducting audit.

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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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2. The concerned offices will co-operate with the audit team, providing files, documents, ledgers and registers that will be asked for.

The audit requirements of major files/documents of different offices of BREB as sample are mentioned in Attachment -01.

3. During the course of audit, the audit team will issue a list of queries on the spot to the Head of the Office on the basis of audit findings. The Head of office will make a spot reply with supporting papers and explanation to defend the query.
4. After completion of conducting audit, the Deputy Director or Director, Internal audit Directorate will hold a discussion meeting with the Head of Office in presence of audit team and other officials. Upon discussion, any query may be dropped subject to receipt of satisfactory spot reply. But the query which will not be settled during the discussion will be retained in the audit report.
5. In case of abnormal findings which damages the image and reputation of RE network system or increasing damages, pilferage, misuse & misappropriation or detect fraud, misstatement of materials, drainage of materials etc. immediately should be reported to the Chairman, BREB through special report.

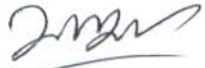
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(Md. Mozibur Rahman)  
Consultant TAPP BREB

  
(Md. Dujidul 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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## XII. Findings and reports

### (a) Findings

The audit evidence that is assembled as the audit progresses should substantiate the auditor's findings resulting in conclusions and observations. The gathering of evidence will provide the basis for the audit report. Evidence is the collection of facts and other information used to fulfill each audit objective. It is gathered during the audit process and analyzed so that a meaningful and relevant conclusion can be reached.

The weight of proving or disproving a proposition that underlies an audit objective is on the shoulders of the auditor. Therefore, it is up to him to gather as much data as is needed and the kind of data needed, that in his opinion, achieves that objective. It may require of him the review of documents; the interviewing of management people, the physical observation or other means of obtaining the kind of information is sought.

The auditor must recognize, however, that the gathering of data can be a costly process. It will not be a practical thing for him to examine 100% of the evidence that are available. The benefits to be derived from a particular body of data must be considered, bearing in mind that the conclusions reached will be based on a range of information. The conclusions will not be stated with absolute certainty. Thus, the evidence must be relevant meaning it is reliable and consistent, timely, and relates to the objective. There is a sufficient quantity of it to give weight to the evidence in moving toward the objective.

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(Md. Mozibur Rahman)  
Consultant, TAPP, BREB

  
(Md. Ahsanul Haque)  
Consultant, TAPP, BREB

  
(Md. Duhidul Islam)  
Consultant, TAPP, BREB

  
(Debasish Chakraborty)  
PD, TAPP, BREB

  
(Md. Mozammel Haq)  
Consultant, TAPP, BREB

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

  
(Md. Abdul Khaleque)  
Consultant, TAPP, BREB

৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০



It must be material and significant, assist in audit evaluations and satisfy legal requirements. It will provide a reasonable degree of assurance as to the meaningfulness of the findings. In most cases the findings and conclusions reached should be discussed with the persons involved. Exceptions may be made in cases where there is fraud or where there are deficiencies of performance by employees. If there is fraud it should be referred to the Director of Internal Audit for handling. Deficiencies in performance should be discussed also with the Head of the office who may then proceed to make discussions with his managers/personnel.

Minor errors and deficiencies should not be reported. They should be brought to the attention of the auditor in charge of the audit and noted in the work papers.

**(b) The Audit Report:**

The audit report will be written as an exception type report. This is a method that calls attention to weaknesses in internal controls and procedures to deviations from procedure and indicates fraud, if any. It shows weaknesses and inefficiencies in functional areas such as procurement, personnel inventory management and budgeting.

The report will contain suggestions for improvement of procedures and comment on the soundness of internal control. It will also contain statements regarding the reliability of financial data, the physical existence and condition of inventories and fixed assets. Responses of management to auditors' comments should be included unless confidentiality requires that it be excluded.

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Revisions : 01-08-2013, 19-02-2020				

(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. Anisul Haque)  
Consultant, TAPP, BREB

(Debasish Chakraborty)  
PD, TAPP, BREB

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

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**The BREB will be interested in:**

- Cases of fraud or misappropriation;
- Weaknesses and deficiencies in the operations of the Office / Directorate/ Branch;
- What actions have been taken to remedy defects ;
- Whether further action is necessary.

Close attention should be paid to form and content of the report. It should be complete but not with many minor items. It should be written so as to motivate management people to follow the recommendations.

**(c). Essential Criteria for Good Reports:**

The following are the essential criteria for a good report:

**1. Accuracy:**

All relevant data should be factually correct and duly substantial.

Facts and figures should be reviewed and cross checked against documents.

**2. Conciseness:**

Should be complete but as brief as possible. Enough background data should be included for understanding all items presented. Insignificant items should be excluded.

**3. Clarity:**

The report should inform, not impress. Proper choice of words is essential. Familiar terms, avoiding abstractions and generalities and technical terms should be used.

**4. Timeliness:**

Prompt submission is essential so that timely action can be taken.

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(Md. Mozibur Rahman)  
Consultant TAPP, BREB

(Md. Duhidul Islam)  
Consultant, TAPP, BREB

(Md. Mozammel Huq)  
Consultant TAPP, BREB

(Md. Abdul Khaleque)  
Consultant, TAPP, BREB

(Md. Ahsanul Haque)  
Consultant, TAPP, BREB

(Debasis Chakraborty)  
PD, TAPP, BREB

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

৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০



(d). Preparation of Reports:

Responsibility for preparation of the report rests with the auditor in charge of the examination. It is not necessary to finish the audit before beginning the report. The auditor should write the report with the progress of audit work. He will issue audit queries during the course of audit & obtain the replies of the management for his review & preparation of his report. On completion of the examination the entire report can be compiled for logical presentation of facts and for discussion with the management before submission of the draft to his Deputy Director or Director, Internal Audit.

A brief definition of the scope of the audit should be given at the beginning to give the reader an idea of what was done. Limiting factors which prevented performance of some procedures should be stated at this point. A brief summary of important definitions should also be given at the beginning of the report.

The body of the report includes identification of general areas of the examination, followed by brief discussions of the findings and recommendations. Headings show briefly any defects or omissions found. Findings present facts with enough background to aid the reader in understanding what is being said. Recommendations and actions taken show what is recommended and what has been done for correction or what has been promised. The auditor then presents his general conclusions about the entire audit assignment.

The draft of the report needs careful review, along with review of work papers supporting the report.

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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

(Debasis Chakraborty)  
PD, TAPP, BREB

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

৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

The report is then discussed with the head of the office examined. Complete comments should be obtained and disagreements and reasons for them be noted. The report will then be finalized incorporating comments and disagreements.

The Final Report will be approved by the Chairman, BREB.

(e) **Issue of Report and follow-up:**

A copy of the audit report will be sent to the concerned member who will take appropriate action and make arrangements for sending replies within two (2) months to the Internal Audit Directorate.

In order to achieve the objectives of internal audit, all actions on audit reports are required to be taken under the direction of the Chairman, BREB.

On receipt of the reply at the internal audit report through the concerned Member, the actions taken will be followed up by the Internal Audit Directorate. The actions taken subsequently by the audited Offices/ Directorates will be further reviewed by the Internal Audit Directorate and the un-settled audit observations will be placed in the "Audit Review Committee" consisting of the following members:

1. Chairman - also committee Chairman
2. Member (Finance)
3. Concerned Member
4. Concerned Director/Head of office
5. Director of Internal Audit-also Member-Secretary of the committee.


The committee will review the audit report as a whole and the actions taken or proposed and issue appropriate orders for implementation.

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(Md. Mozibur Rahman)  
Consultant, TAPP, BREB

  
(Md. Duhidul Islam)  
Consultant TAPP BRF

  
(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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**XIII. BREB/PBS INSTRUCTION SERIES FOR INTERNAL AUDTING.**

For internal auditing Govt. rules, regulations, PPR-2008 and policies/circular of the BREB/PBSs are applicable. The auditor should familiarize himself with them in order to have a general idea about operations & management. He will not go to any of the BREB offices without a general knowledge of what is expected from him. In addition, he should be conversant with BREB Board decisions taken from time to time. All the Instruction series, will be the guideline for auditors, which are as follows:

REB/PBS Instruction Series	Title
Series- 100	PBS Engineering and Materials
Series- 200	PBS Finance
Series- 300	PBS Development and training
Series- 400	BREB Administration
Series- 500	BREB Engineering and Materials
Series- 600	BREB Finance and Accounts
Series- 700	BREB Training
Series- 800	BREB Board Functions and Assignments

- Enclosed: 1. Flow-chart of Internal Auditing.  
2. Attachment -01 (Audit Requirement of major Files/documents)

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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

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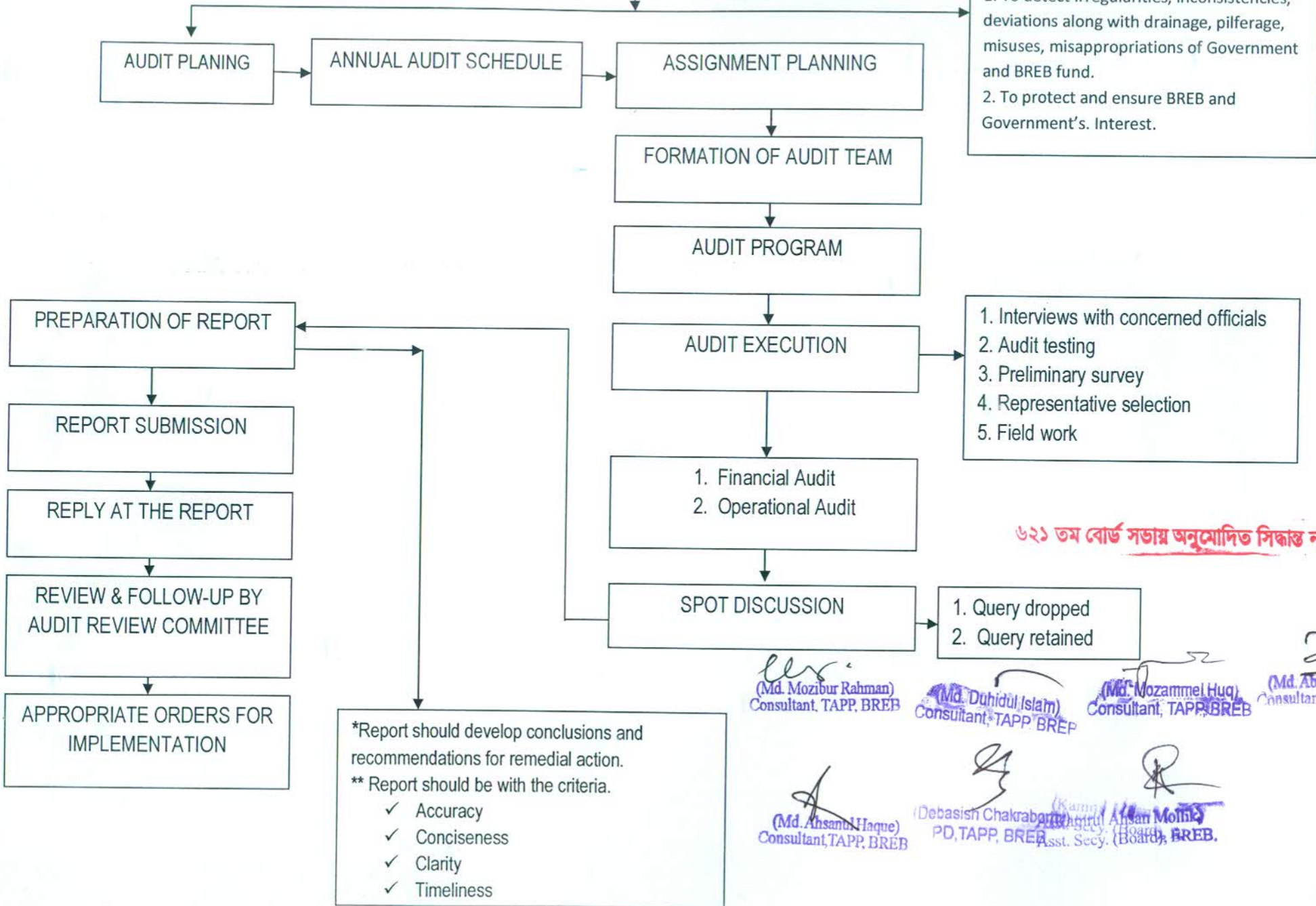
  
(Md. Ahsanul Haque)  
Consultant, TAPP, BREB

  
(Debasish Chakraborty)  
PD, TAPP, BREB

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

BREB Instruction 600-28

FLOW-CHART OF INTERNAL AUDITING



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(Md. Mozibur Rahman)  
Consultant, TAPP, BREB

(Md. Duhidul Islam)  
Consultant, TAPP, BREB

(Md. Mozammel Huj)  
Consultant, TAPP, BREB

(Md. Abdul Khaleque)  
Consultant, TAPP, BREB

(Md. Ansanul Haque)  
Consultant, TAPP, BREB

(Debasish Chakrabarti)  
PD, TAPP, BREB

(Asst. Secy. (Board), BREB)



## BREB Instruction 600-28

The audit requirements of major files/documents of different offices of BREB as sample are mentioned below:

**In case of:**

**A. Chairman & Member's Offices**

Files regarding Imprest fund & Vehicles

**B. Chief Engineers' Offices**

- I. Files relating to the major functions/activities of the office;
- II. Files regarding Imprest fund & Vehicles

**C. Office of the Executive Director**

- I. Recruitment files and related papers
- II. PBS personnel's transfer/posting related files
- III. PBS personnel's Performance evaluation and promotion related files
- IV. PBS Area Director election file
- V. Inter-PBS staff Transfer file
- VI. PBS Employees' benefit related files.
- VII. Files regarding Imprest fund & Vehicle

**D. Office of the Controller (Finance & Accounts)**

Files regarding Imprest fund & Vehicle

**E. Additional Chief Engineers' Offices**

- I. Files relating to the major functions/activities of the office;
- II. Files regarding Imprest fund & Vehicle

**F. Secretary**

- I. Files regarding approval, revision etc. of BREB & PBS Instructions
- II. Files regarding Board meeting & EC meeting
- III. Files regarding Imprest fund & Vehicle

**G. Directorate of Program and Planning**


- I. Files regarding Development Budget preparation & its Approval
- II. Files regarding DPP, PCR
- III. Files regarding Imprest fund & Vehicle

Page-01

  
(Md. Mozibur Rahman)  
Consultant TAPP, BREB


  
(Md. Duhrul Islam)  
Consultant TAPP, BREB

  
(Md. Mozammel Haq)  
Consultant, TAPP, BREB

  
(Md. Abdul Khaleque)  
Consultant, TAPP, BREB

  
(Md. Ansanul Haque)  
Consultant TAPP, BREB

  
(Debasish Chakraborty)  
PD, TAPP, BREB

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

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**H. Directorate of Training**

- I. Files regarding Training schedule, Trainer & trainee selection, Foreign Training Program
- II. Files regarding Imprest fund & Vehicle

**I. Directorate of Personnel Administration :**

- I. Files regarding Recruitment
- II. Personal files
- III. Files regarding Disciplinary action
- IV. Files regarding Service Benefit on retirement
- V. Files regarding Imprest fund & Vehicles

**J. Directorate of Inquiry and Discipline :**

- I. Files regarding Inquiry Officer selection & its approval
- II. Files regarding Inquiries & its effect
- III. Files regarding Disciplinary action
- IV. Files regarding Imprest fund & Vehicle

**K. Directorate of Public Relation :**

- I. Files regarding Advertisement and its payment
- II. Files regarding Publication & its payment
- III. Files regarding Imprest fund & Vehicle

**L. Directorate of Legal Affairs :**

- I. Files regarding Legal adviser employment
- II. Files regarding case fee payment
- III. Files regarding Imprest fund & Vehicle

**M. Directorate of Estate and Logistics :**

- I. Files regarding Transport maintenance & fare ascertaining of hired transports
- II. Files regarding Log Books
- III. Tender Register and other related documents
- IV. Common service files & Records
- V. Files regarding Imprest fund & Vehicle

**N. Directorate of Procurement :**

- I. Bid package/Bid document
- II. Tender Invitation/opening files & register
- III. Files regarding Tender evaluation & Contract agreement
- IV. Performance guarantee/Bank guarantee
- V. Pre-shipment Agency & L/C related files
- VI. IFB wise file
- VII. Files regarding Imprest fund & Vehicle

  
(Md. Mozibur Rahman)  
Consultant, TAPP, BREF

  
(Md. Duhidul Islam)  
Consultant, TAPP, BREF

  
(Md. Mozammel Haq)  
Consultant, TAPP, BREF

  
(Md. Abdul Khaleque)  
Consultant, TAPP, BREF

  
(Md. Ahsanul Haque)  
Consultant, TAPP, BREF

  
(Debasish Chakraborty)  
PD, TAPP, BREF

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

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**O. Directorate of Finance :**

- I. DSL related file
- II. Fund release file & registers
- III. Expenditure reports & files
- IV. Budget Preparation files
- V. SLA related files
- VI. Files regarding Reporting to Ministry and other organizations
- VII. Files regarding Imprest fund & Vehicle

**P. Directorate of Accounts :**

- I. External & Internal bill vouchers
- II. Different schedules
- III. Files regarding Loan accounts & Debit and Credit memo
- IV. Files regarding investment
- V. Salary fixation
- VI. Bank reconciliation statement
- VII. Imprest/vehicle related file

**Q. Directorate of Financial Monitoring :**

- I. Files regarding PBS Monitoring
- II. Files regarding tariff, KPI/APA
- III. Files regarding retirement Benefit of PBS Employees
- IV. Imprest/vehicle related file

**R. Directorate of PBS Audit :**

- I. Files regarding PBS audit planning, audits & CA firm appointment
- II. Imprest/vehicle related files

**T. Directorate of Loan and Budget :**

- I. Files regarding PBS Budget approval & its allocation
- II. Files regarding long term loan reconciliation
- III. Imprest/vehicle related files

**U. Directorate of PBS Inquiry and Discipline :**

- I. Files regarding Inquiry on PBS Employees
- II. Imprest/vehicle related files

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(Md. Mozibur Rahman)  
Consultant, TAPP, BREP

(Md. Duhidul Islam)  
Consultant, TAPP, BREP

(Md. Mozammel Haq)  
Consultant, TAPP, BREP

(Md. Abdul Khaleque)  
Consultant TAPP, BREP

৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

(Md. Ahsanul Haque)  
Consultant, TAPP, BREP

(Debasish Chakraborty)  
PD, TAPP, BREP

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

**V. Directorate of PBS Monitoring and Management Operation :**

- I. PBS administration file
- II. PBS monitoring file
- III. PBS Board resolution file
- IV. PBS employees' transfer/posting file
- V. PBS Employees' evaluation related file
- VI. PBS Employees' disciplinary action file
- VII. Imprest fund & Vehicle related files

**W. Directorate of CS&M:**

- I. Payment against VAT/CDST/TAX documents
- II. Clearance against IFB
- III. Appointment/Contract Administration of C&F agent.
- IV. Appointment/Contract Administration of Carrying Contractor.
- V. Enlistment of Surveyor and Payment of bill
- VI. Realization of Insurance Claim
- VII Verification of RR, IV and related documents
- VIII. Allotment and Carrying Order/Execution of carrying orders
- IX. Imprest fund & Vehicle related files

**X. Central warehouses:**

- I. Verification of store Register/ledger
- II. Verification of Receiving Report
- III. Issue voucher and related documents
- IV. Physical Inventory on Sample Basis
- V. Determination of slow moving and dead Item
- VI. Appointment/Contract Administration of Surveyor
- VII. Appointment/Contract Administration of C&F agent
- VIII. Imprest fund & Vehicle related files

**Y. SE offices:**

- I. Bid package documents
- II. Tender Invitation files
- III. Tender opening register
- IV. Comparative statement
- V. Earnest money Receive register
- VI. Contract Agreement and Administration file
- VII. Quarterly allocation file
- VIII. Imprest fund & Vehicle related files

**Z. Office of the Project Directors:**

- I. DPP
- II. File regarding Fund Release
- III. File regarding Fund Utilization
- IV. Imprest fund & Vehicle related files

(Md. Mozibur Rahman) Consultant TAPP, BREB

(Md. Duhidul Islam) Consultant, TAPP, BREB

(Md. Mozammel Huq) 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.



**A-1. Project Division offices:**

- I. List of closed and running work orders for the audit period.
- II. Work order files and close out documents
- III. Material Issue/Return voucher
- IV. Store statement/Store activity report
- V. Store ledger
- VI. Annual Inventory Report
- VII. 100-41, 100-42 related Material statement/work orders close out.
- VIII. Store related files
- IX. Staking sheet and as built staking sheet
- X. Master plan/Revised master plan
- XI. Transport file & Log book
- XII. Bank statement
- XIII. Leave record & Dispatch register
- XIV. Revolving fund files & documents
- XV. Office rent, Utility services files & records
- XVI. Civil work order file, Contour map, Bill and other documents
- XVII. Field investigation, if required.
- XVIII. Imprest fund & Vehicle related files

**A-2 S.E. Energy Audit and Tariff**

- I. Files Regarding Preparation of from -550, APA target fixation and evaluation
- II. Imprest fund & Vehicle related files


Note: The Auditors will assess the major functions of the offices be audited and review the respective files and documents following the audit norms and out of their own judgment.

Page-05

  
(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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