

BANGLADESH RURAL ELECTRIFICATION BOARD
DHAKA, BANGLADESH

PBS INSTRUCTION 200-05

SUBJECT: INTERNAL CONTROL OF PBSs' OPERATION.

I. PURPOSE

The general welfare of PBSs' operations requires their adherence to high standards of business conduct so that they may have the confidence and support of the public as well as of their consumer-members. Internal control is essential to sound business operations. It consists of the plan of organization and procedures established by a business for the purpose of safeguarding assets, assuring accuracy in accounting and operational data, promoting efficiency of operation and encouraging adherence to management policies.

II. POLICY

Establishment of Internal Control Procedures:

A. The establishment of internal control procedures is the direct and immediate responsibility of the management. The measure which should be adopted are governed by commonly accepted accounting and business management procedures.

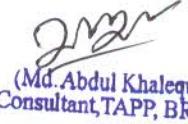
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The characteristics of a satisfactory system of internal control will include:

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

B. Bill collection through Mobile / Online Banking:

In case of bill collection through Mobile / Online Banking like Teletalk, Grameenphone, BKash, UDC, Prepaid Meter system etc., DGM (Technical), AGM (IT) & Junior Engineer (IT) will provide technical support/assistance to prevent hacking or misappropriation of fund and overall supervision on such collections will be ensured by the Senior General Manager/General Manager of the PBS.

C. PBS General Managers shall be responsible to ensure that control procedures established for sound operation of the PBSs have been properly followed in carrying out financial activities. The Checklist attached to this Instruction (**Attachment-1**) has been designed to assist the General Managers in obtaining an overall position of internal control compliances. As a matter of fact, answers to most of the questions set out in the Checklist may be readily known or available to the General Manager. It is as such required that the General Managers will complete the Checklist first and then review and determine the adequacy of internal control. In completing/filling the Checklist, the General Managers shall consult with relevant departmental personnel.

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

III. ENFORCEMENT OF INTERNAL CONTROL MEASURES & REMEDIAL ACTIONS:

A. Compliance with internal control requirements established by management should be reviewed minimum twice in a year in December and June and corrective measures be taken when non-compliance is found. As soon as a breach of internal control measures is discovered, management should ascertain the person or persons responsible therefor and the extent to which the system's business and property and its integrity and reputation are affected.

B. If an investigation discloses an apparent defalcation, or other irregularity or impropriety on the part of any officer or employee, agent or contracting party, the Board of Directors, after evaluating the relevant and material facts and circumstances should take appropriate action as follows:

1. Where the acts involve no violation of law, but there are some irregular or improper as to tend to damage the reputation of the PBS in the community and to reflect adversely upon the BREB Program, PBS Management shall immediately take corrective measures, including suspension of the offender from employment where this is indicated to be necessary or desirable.

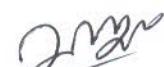
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2. Where the acts, upon consultation with the PBS Legal Advisor, clearly appear that there is involvement of violation of law, the offender shall be immediately separated or suspended from employment and the infraction shall be reported to the proper prosecuting authority.
3. The required notice shall be served to the Insurance Company where the acts relate to matters covered by the Fidelity Coverage.
4. Where the acts involve pecuniary loss, the matter shall be referred to the PBS Legal Advisor for consultation with the Insurance Company.
5. Where there is uncertainty as to whether the acts of an insured employee, officer, or agent are covered by the fidelity insurance or whether all such acts as may be covered by the insurance have been discovered, the known facts shall be presented to the Insurance Company in writing. The person or persons involved should not remain in the PBSs' employment unless the Insurance Company's consent to continuance of coverage under the bond is obtained.
6. Director, PBS Monitoring and Management Operation, BREB shall be notified with a copy to Director, Financial Monitoring, BREB immediately of any irregularity affecting funds or property, reporting them action already taken and any proposed course of action. Such communication should indicate clearly whether the Insurance Company has been notified and, if so, a copy of the notice shall be enclosed.

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7. Immediate action shall be taken to install precautionary measures or existing internal control arrangements to prevent recurrence of similar acts shall be strengthened.

IV. EVALUATION OF INTERNAL CONTROL

PBS management, after reviewing and determining the adequacy of internal control, shall provide one copy of the completed Checklist in each year to the Financial Monitoring Directorate of BREB for compliance testing. Financial Monitoring Directorate will take necessary measures to carry out a compliance testing to ensure the existence and effectiveness of the internal control measures stated in the Checklist (**Attachment-1**).

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Attachment-1 (PBS INSTRUCTION 200-05)

:1:

INTERNAL CONTROL CHECKLIST

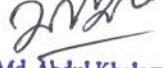
I. GENERAL

	Yes	No
1. Are policies established by BREB prescribed in a clear-cut, decisive fashion ?
2. Is a file of such policies maintained and available in all departments and to all employees concerned?
3. Is there a current Organization Chart?
4. Are employees' duties reasonably fixed as to both authority and responsibility?
5. Is it the practice to see that each employee is individually responsible for certain phases of the operation to be performed?
6. Does Fidelity Bond coverage meet BREB Requirements as per PBS Instruction 200-3?
7. Is there adequate physical security over:		
* Cash ?
* Valuable documents (e.g. cheques, securities, deeds?)
* Stock?
8. Are there adequate methods to prevent unauthorized access to :		
* Office?
* Accounting documents?
* Stores?
9. Are required monthly financial reports timely and accurately prepared?
10. Are monthly or other periodic comparisons made between operating reports and the budget?
11. Are minutes of Board meetings prepared promptly and copies distributed to the Board members?


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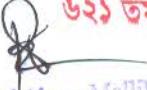

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I. GENERAL

	Yes	No
12 Are all documents and reports submitted to BREB after careful review and checking for accuracy and completeness before signature and submission?
13 Is standard for fuel consumption determined for each vehicle and is it followed up?

II. CASH MANAGEMENT

A. CASH RECEIPTS

1. Are the collecting Banks including Agent Banks And Mobile Operators make regular remittance of fund collected?	.....	.....
2. Are official receipts and collection stubs reconciled with cash receipts on regular basis ?	.....	.....
3. Are all receipts including miscellaneous items recorded promptly and deposited intact to Bank daily?	.....	.....
4. Is the cashier under close supervision of AGM Finance/Finance-Revenue	.....	.....
5. Is cash deposit to Bank done by the personnel other than Cashier/Assistant cashier?.	.....	.....

B. CASH DISBURSEMENTS

1. Are all disbursements, except from petty cash, made by cheque(s) ?	.....	.....
2. Are void cheques promptly mutilated and held for subsequent inspection ?	.....	.....
3. Is the signing or countersigning of blank cheques prohibited ?	.....	.....
4. Is the practice of drawing cheques to "Cash" or "Bearer" prohibited ?	.....	.....
5. Are cheques prepared and issued within the authority and limitations as prescribed by the Board ?	.....	.....
6. Are Banks furnished with copies of resolutions stating clearly the current authorizations of signers and counter-signers of cheques and setting forth any restrictions?

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B. CASH DISBURSEMENTS

Yes No

7. Are Bank reconciliations made regularly by concerned employee and such reconciliation reviewed by AGM Finance ?

8. Is the disbursement voucher journal closed promptly at the end of each month ?

9. Are footings in disbursement voucher journal verified independently?

C. IMPREST FUND

1. Is imprest fund checked at regular intervals?

2. Is the encashment of personal cheques or IOU'S from this fund prohibited ?

3. Is fund used in accordance with the intent of imprest fund ?

D. INVESTMENT OF FUND

1. Is investment of funds being made properly as per Instruction 200-29?

2. Are the FDRs/Saving Certificates encashed timely on maturity ?

3. Is there any verification of interest credited by Bank on Investments ?

III. REVENUES : ACCOUNTS RECEIVABLE - CONSUMERS

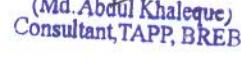
Is the total of the individual accounts balanced monthly with the General Ledger control figure ?

1. Are meters being read properly & meter reading records properly maintained to support billings?


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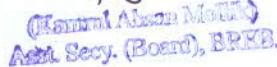

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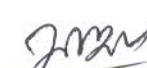

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	Yes	No
3. a. Are Meter Readers rotated periodically from one route to another?
b. Are the irrigation Meters being read by the supervisory level employees ?
c. Are the LP Consumers' Meters being read by the Officer?
d. Are the Demand Meters being read by the supervisory level employees?
e. Are the Meters other than Demand meter being read by Grade-2 to Grade-5 level employees?
4. Are bills prepared and delivered as per approved schedule?
5. Is there any time gap above two(2) days between bill preparation and bill delivery?
6. Is aging of Consumer Accounts being prepared monthly?
7. Are the Consumer Meter Orders(CMOs) prepared in a timely manner?
8. Does the O&M department take timely action on these CMOs and return to the Billing Section?
9. Are Meter Reports completed by AGM-CO&M and returned to the Billing Section in a timely manner?
10. Are Collection/Disconnection Lists prepared by the Billing Section in time?
11. Is the General Manager informed of the number of Pending CMOs, Meter Reports and the Status of Accounts Receivable on a regular basis?
12. Are outstanding accounts being written off as per Instruction 200-30?
13. Status of Accounts Receivable: months. Does this meet the target (....months) requirement?
14. Collection % :..... Is Collection % improving compared to that of previous month(s)?


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IV. ACCOUNTS PAYABLE

Yes No

1. Is there any outstanding to BPDB/Other Utility Organizations for the cost of power purchase except current month?

V. PLANT AND PROPERTY ACCOUNTING

1. Does the quantity of Materials in Store Ledger agree with that of in the Stock Register?

2. Does the balance of the value of Materials in the Store Ledger agree with the balance of Materials in the General Ledger?

3. Is the Work Order Procedure being followed as per Instruction 200-06?

4. Are Meter Records Cards being maintained as per instruction 200-06?

5. Are Continuing Property Records (CPR) being maintained properly?

6. Are Physical inventories and follow-up action thereof taken in time?

7. Are Material Tickets properly prepared at the time of issue and receipt of Materials.

VI. PURCHASES AND EXPENSES

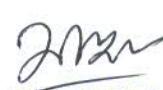
1. Are all purchases made properly as per Instruction 300-36?

2. Are Vouchers for purchases and expenses examined by authorized officer or employee to ascertain completeness of attachments and various required approvals?


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VII. PAY ROLL

	Yes	No
1. Are current Schedules of Pay and Allowances and Schedules of Deductions being prepared by the AGM-HR?
2. Are Employee Monthly Work Report and Summary filled-up as per Instruction 200-06?
3. Are Daily Work Reports filled-up as per instructions and submitted to the Finance Department daily/weekly ?
4. Are the Provident Fund Subsidiary Ledgers properly recorded and reconciled with the General Ledger monthly?
5. Whether provision is being made monthly for Gratuity?
6. Are Benevolent Fund and Workmen Benefit being opened and maintained as per Instruction 300-34 and Instruction 300-32 respectively?
7. Have the employees been covered under Group Insurance policy?

VIII. MEMBERSHIP FEES, CONSUMERS' DEPOSITS

1. Are membership applications processed and certificates issued in accordance with the provisions of the By-laws?	.....	.....
2. Are other fee and deposit receipts from members properly classified as specified by the By-laws (connection fees, consumers' deposits, etc.)?	.....	.....
3. Are adequate, separate detailed records maintained and reconciled periodically with the respective General Ledger control accounts?


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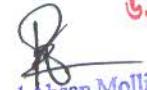

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XI. LONG-TERM DEBT

Yes No

1. Are adequate files maintained containing all loan documents, interest and principal statements?
2. Are debt service statements checked periodically for accuracy?
3. Is the payment of "Principal" amount of DSL to BREB up-to-date?
4. Is the payment of "Interest on loan" up-to-date?
5. Is the outstanding loan from BREB as per PBS record reconciled periodically with BREB?



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