

BANGLADESH RURAL ELECTRIFICATION BOARD  
DHAKA, BANGLADESH

PBS INSTRUCTION 200-26

INTERNAL AUDIT OF PBSs' ACCOUNTS AND RECORDS

  
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1. INTRODUCTION

Purpose:

The purpose of this Instruction is to set forth the policy of the Bangladesh Rural Electrification Board (BREB) with respect to the audit of PBSs' accounts and records.

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

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

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

#### RESPONSIBILITY:

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

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

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

#### PROCEDURES:

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

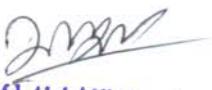
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- At the beginning of each fiscal year, the PBS Audit Directorate will chalk out a schedule of activities to be performed during the year and that schedule will be approved by Member (Finance).

## 2. PLANNING AND UNDERTAKING THE AUDIT

### Total Program:

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

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

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

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

#### SCOPE AND FREQUENCY OF EXAMINATION

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

The normal audit examination should cover the following areas:

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

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- Power purchases and payables to PDB/PGCB/DPDC/IPP/ CPP/ Other - Entity. Other purchases and payables.
- Payroll and personnel policies.
- Operating procedures and work method.
- Financial and accounting systems and practices.
- Organization and administrative practices
- Maintenance of long-term debt records and reconciliation with BREB
- Accounts Payable-BREB -record maintenance and reconciliation with BREB.
- Subsidy requirement for the year under audit.
- Financial viability forecast vis-à-vis the actual scenario.
- Consumer services: connection, disconnection and reconnection practices.
- activities of consultant engaged in PBS.

#### AUDIT PREPARATION:

For effectiveness in conducting the audit, the auditors should familiarize themselves with the functions and operations of the PBSs. This preliminary work may include a review of the accounting methods, operating policies and procedures, system of internal control organizational structure and any materials describing the functions and operations of the PBSs being examined, such as, operation manuals, past audit reports, permanent files and related working papers.

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## WORKING PAPERS:

Working papers are the records kept by the auditor, of the procedures, tests performed, information obtained and conclusions reached pertinent to the examination. Accordingly, working papers should include work programs, flow-charts, analyses memoranda, letters of confirmation and representation, abstract of documents and schedules or commentaries prepared or obtained by the auditor. Working papers, therefore, provide an important support for all audit conclusions, recommendations and opinions.

## PURPOSE OF THE WORKING PAPERS:

Good working papers should support the audit conclusions, recommendations and opinions by providing sufficient and relevant evidence of the work done in respect of:

- Evaluation of systems of financial management and control;
- Tests of accounting records and other supporting evidence;
- Examinations of financial statements; and
- Matters contained in the Management Report to the PBS and BREB.

These would also help in ensuring the high quality of the work performed by providing:

- an orderly presentation which shows that adequate attention was given to each audit area and that all significant items were examined; and a reference point for any subsequent clarification.
- Further, good working papers will facilitate review of the audit work by enabling the Director and the Deputy Directors of PBS Audit to satisfy themselves that a proper audit was performed.

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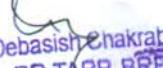
  
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## WORKING PAPER PRESENTATION

### **Working papers should be:**

- Complete and accurate showing the nature and extent of the audit work done and providing proper support for findings, conclusions, and recommendations ;
- Concise and clear without requiring supplementary oral explanation.
- Pertinent and should contain only information which is relevant, important and useful with respect to the objectives established for the examination; and
- Eligible, neat and orderly with adequate space for additional data, notes and comments. Disorderly and crowded working papers are ineffective as these don't reflect on the underlying work.

Working papers should clearly state the specific objectives of the audit, the reasons for performing specific audit procedures or tasks, and their relation to the audit objectives. Anyone using the working papers should be able to determine readily their purpose, the nature and scope of the work done, and the auditor's conclusions.

### **Working papers should record:**

- all relevant and material facts and the source of information obtained;
- the nature, timing and extent of audit performed and the name of the auditor who performed it; and
- the audit conclusions and the basis for arriving at those conclusions.

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**Each working paper should be:**

- headed with the name of the PBS and the related assignment; title of the account or audit procedures being performed; and the period-end date; and
- indexed, signed and dated by the staff members who prepared it and who reviewed it. Index references, signing and dating should be done at the top right-hand corner of the working papers.
- Superfluous schedules and information should not be put in the working papers. Laborious copying of material such as invoices, ledger cards, inventory count sheets, subsidiary account listings which are readily available in the PBS should be avoided.
- Wherever possible, PBS should be requested to assist in the preparation of working paper schedules and analyses and to help in finding available supporting data and files. The auditor should adequately describe the data required and supply the format of the schedules to the PBS so that the information will be of maximum use.
- All working papers should be filed in a sequence and manner that promptly permits the reader to proceed from summary to supporting details.

During the audit work, the use of loose-leaf binders may facilitate the preparation and temporary filing of working papers.

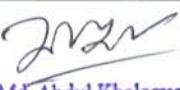
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On completion of the audit, all working papers should be bound into working paper folders labeled with the PBS name, period-end date, and a brief description of the data in the folder; sections, within a working paper file should be separated by tabled dividers.

On most audit, there will be several individual files. When this occurs, the individual files should be numbered to indicate the number of files in each category. For example, if there are five files, they should be numbered sequentially 1 to 5 through 5 to 5.

#### **Organization and content:**

Two standard categories of working paper files have been adopted to reflect the basic audit process of planning, evaluation of financial management and control, substantive tests, review and reporting:

Permanent file; and Current working paper file.

#### **Permanent file:**

Permanent working papers consist of evidential matter and information which are of continuing interest, such as, information on the nature and functions of the PBS, its organizational structures, its brief history and an outline of the operating procedures and system of internal control and lapsing schedules of utility plants. These are all compiled in a permanent file.

A permanent file should be established for each PBS during the initial audits. This permanent file should also be reviewed and updated from year to year by additions or amendments to the file.

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The usual contents of the permanent file are:

- PBS Organogram;
- Accounting and organization policies and procedures;
- Internal control evaluation sheet;
- Continuing analyses of important accounts;
- Standard reports, other documents and agreements;
- PBS Bye-Laws and Regulations.
- Minutes of the PBS Board meeting;
- Copies of audit program.

**Current File:**

The current file should consist of reports, drafts, analytical schedule of accounts, cash or inventory count sheets and other related financial and operating data in support of audit findings and recommendations relating to the current period under review.

The detailed information that should normally contain in the current working paper file are listed below:

- summary of major points arising in the audit and matters to be considered in the future;
- review notes of the Director and the Officer in charge of the assignment;
- summary of evaluation and conclusions concerning the effectiveness of internal control and reliance that can be placed on it, prepared by the auditor who assessed the particular internal control segments. This would also include an examination of weaknesses reported by audit;
- record of control weaknesses completed for each segment showing the audit action taken;

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- flow-chart or narrative description of the accounting system and internal control questionnaires; and
- audit programs completed and signed with supporting working papers and conclusions concerning objectives and results of tests.
- final copy of financial statements with the audit report or certificate;
- summary of points to be considered for inclusion in the report to BREB;
- management report matter arising out of the final examination;
- final copy of signed management report and drafts as prepared and reviewed by the Director and Officer-in-charge, supported by a summary of all points leading up to the management report and any response to the draft report received from the administration.
- audit observations to be completed before final issuance of financial statements and report, with evidence of subsequent clearing;
- draft financial statements supported by adjusting journal entries and working trial balances;
- planning notes on problems encountered in the performance of the audit and on changes made in the plan together with suggestions for future planning;
- summary listing of unadjusted error found, showing their total effect on assets, liabilities, expenditure and revenue with a conclusion as to whether the total effect of these error is material;
- notes on the review of events subsequent to the period-end and a conclusion concerning adequate disclosure;

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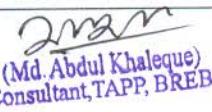
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- letters of representation from management with respect to such items as receivables, inventories, liabilities etc. and any legal opinions, where appropriate;
- working papers on assets and liabilities supporting all year-end balance including substantive tests, such as, confirmation, observation, physical counts etc. performed to verify balance; and
- working papers on expenditure and revenue or income and expenses supporting the build-up figures to agree with the financial statements, including analyses and particular tests performed on significant accounts.

#### Review and Evaluation of Internal Control

The system of internal control consists of all measures adopted with the following objectives:

- To safeguard the PBS assets against waste, fraud and inefficiency.
- To promote accuracy and reliability in accounting and operating data.
- To ensure compliance with the BREB/PBS policies.
- To achieve efficiency in PBS operations.

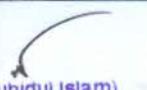
The main objective of reviewing and evaluating the system of internal control is to assure the auditor that adequate controls are in use and are working as planned. The results of this review and evaluation will be the basis in determining the extent of detailed audit work to be carried out.

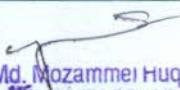
The review of internal control is accomplished by filling out the internal control questionnaire. After review has been made, the existing internal control is evaluated through the preparation of the internal control evaluation sheet.

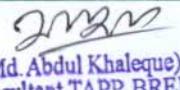
#### Revision:

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27.01.1985	BREB	BREB Board	13	3
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

  
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### The Audit Program:

An audit program is a detailed plan of the audit work to be performed, specifying the procedure to be followed and giving the time required for each procedure. As each step of the program is completed, the auditors initials and the actual time be consumed may be entered opposite the item. The program therefore, serves as a tool of planning and controlling the audit work to be done. An individual audit program should be prepared for each engagement to be handled. For this purpose, the audit procedures to be outlined in the next report may be used as a guide in the preparation of the detailed audit procedures to be undertaken. The procedures should be reviewed and modified, taking into account the following:

- The purpose of the examination.
- The history and nature of operations and special problems of the PBS involved.
- The adequacies or inadequacies and nature of the accounting records.
- The adequacy and competence of the personnel involved.
- The adequacy of the system of internal control and the effectiveness with which it is being carried out.
- Past experience with the records and accounts.
- Details required in the reports to be submitted.

Additional procedures which the auditor-in-charge may deem necessary and desirable in the circumstances should be incorporated in the audit program.

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### Time for preparation of the audit program :

Before commencement of audit, Director, PBS Audit will prepare an audit program detailing the activities to be performed by the auditor. This program will be based on the requirements of PBS General Accounts Manual, PBS Accounting Procedures Manual and other relevant instructions and policies. A sample of such audit program is appended with this manual at Annexure - A.

The audit program is a confidential document for internal use of the Directorate of PBS Audit and should not be shown or given to any employee outside the directorate.

### 3. FINDINGS AND REPORTS

#### **Findings**

Findings and observations developed during the course of audit should be communicated to the management as audit queries and replies should be obtained, except in the following instances:

- If fraud or possibility of fraud is involved, the audit staff should be discreet and careful to avoid premature disclosure of his findings which might result in the creation of an atmosphere of non-co-operation in the early stages of the investigation. If fraud is discovered or suspected, the matter should be referred immediately to the Director, PBS Audit who will decide how the matter should be handled.
- If the findings involve deficiencies in performance of employees, such as, incompetence, inefficiency, poor training and other faults, these also should not be discussed with the persons concerned.

The audit queries and the replies thereof should form the basis for preparation of the management report.

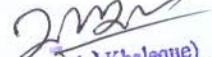
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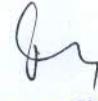
  
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Audit observation of important nature as indicated below should immediately be issued to the management in the form of audit queries for their reply:

- Violations of a significant nature of the PBS policies and procedures.
- Areas of responsibility where efficiency can be improved or where savings or reduction of losses can be made.
- Rectification of errors in which the auditor-in-charge and officer concerned agree.
- Matters of a controversial nature which will have to be brought to the notice of higher authorities.
- Observations and recommendations which have to be studied or approved by higher authorities.

Deficiencies or minor errors which result from nonrecurring clerical inaccuracies or procedures should not be included in the report. These should, however, be brought to the attention of the officer concerned during the audit with proper notation in the working papers. Minor errors, which indicate weakness in control or violation of standard operating procedures, even if, of normal importance, should be included in report.

Observations should not be limited only to deficiencies or unsatisfactory matters. Areas in which work has been done well should be briefly mentioned and if the work is reasonably well done or there are no major findings, this should also be included in the report.

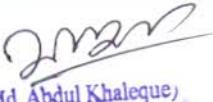
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### The management report:

The management report should be primarily exception-type reports, to highlight weaknesses in the present internal control and procedures, violations of instructions and policies, deviations from prescribed procedures, frauds and misappropriations and leakages in revenue, if any, weaknesses and inefficiencies in functional areas, such as, procurement, personnel, inventory management, and budgeting, and inaccuracies in the coding of accounting transactions. In addition, the report should also contain suggestions for the improvement of procedures and comments on the overall soundness of internal control, reliability of financial data submitted to management, status of consumers' accounts, and physical existence and condition of inventories and fixed assets. Representations made by management on the auditor's comments, should be included, except in cases where because of the confidential nature of the report it is obviously inappropriate to do so. More specifically, the BREB would like to know the following:

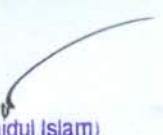
- Cases of frauds, misappropriations and leakages in revenue.
- Weakness or deficiencies noted in the operations of the particular PBS.
- Actions so far taken to remedy the defects
- If further corrective actions are necessary.

Because of the importance attached to the management report, the auditor should give utmost attention to its form and content. The report should be complete but should not include details of minor items. It should be written in such a way that it will motivate the officer concerned to take the actions(s) recommended.

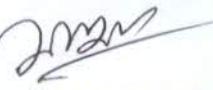
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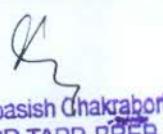
  
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### Essential criteria for good reports:

The following are the essential criteria for a good management report:

**It must be accurate:** The data in the report must be substantiated and must be free from factual errors.

This can be achieved by cross checking and reviewing figures and fact against documentary evidence.

**It must be concise:** The report should be complete but as brief as possible. Adequate background information should be provided for each case discussed to enable the reader to understand clearly the significance of the items presented.

**It must be clear:** The report is intended to inform rather than to impress the reader. Consequently, words or terms used should be chosen properly. The use of technical terms should be avoided as far as possible and concrete, specific and familiar words should be used instead of abstract, general and unfamiliar words.

**It must be timely:** The report should be submitted promptly so that timely action can be taken.

### Report preparation:

The auditor-in-charge of the audit engagement will be responsible for the preparation of the management report at the completion of the assignment. To expedite the preparation of the final report, the various sections of the report may be developed in draft form as the field work progresses. At the end of the field work, the auditor-in-charge may rearrange the presentation and the organization of the draft report to permit a logical presentation of the facts in proper sequence as well as the findings and recommendations.

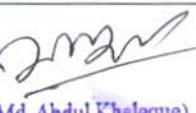
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The following points on content and format should be borne in mind when preparing the management report.

#### Summary:

It is desirable to submit a covering memorandum letter with each report. This letter should state:

- the person or persons to whom the report is addressed;
- the period covered by the review;
- a brief description of the subject of the audit;
- a summary of the principal findings and recommendations.

#### Scope of work:

A brief definition of the scope of the audit should be discussed at the beginning of the report to give the reader an idea of what was actually done. Any limiting factors which prevented the auditor from performing certain auditing procedures included in the scope of work should also be included in this section of the report.

#### Main contents:

Main content of the report includes identification of the general areas of the audit work, such as loan fund, cash revenues, receivables, fixed assets, payroll and personnel system, procurement system and budgetary control.

A discussion of the individual findings and recommendations under each of the general areas is included in this part of the report.

**Treatment of individual matters Headings**- This includes a brief narration of the defect or omission detected in course of audit.

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### Findings

This section consists of the factual presentation of the information gathered. Adequate background information should be given for each situation discussed to help the reader understand easily the defect or error involved in the findings.

**Recommendation(s) and action(s) taken:** This section discusses the auditor's recommendations together with corrective action (s) already undertaken or promised to be done by the management.

### Conclusions:

After presenting the findings and recommendations in the body of the report, the auditor should express his general conclusions regarding the audit assignment undertaken.

### Preparation, review and clearance of report:

Responsibility for preparation of the report rests with the Auditor-in- Charge of the examination. The auditor should write the report with the progress of audit work. He will issue audit queries during the course of audit and obtain the replies of the PBS management for his review and preparation of 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 the Deputy Director, Audit.

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During discussion with the PBS management, complete comments on the findings raised in the report should be obtained from them. Any disagreements with the reasons thereof should be noted in the report. The audit discussion with the PBS management will be headed by Dy. Director, PBS Audit on behalf of BREB.

The Deputy Director, PBS Audit will be responsible for reviewing the draft report prepared by the Auditor-in-Charge. After reviewing, they will prepare the final report and submit before the Director, PBS Audit for approval.

A sample of such management report is appended in Annexure-B of this Instruction. 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 should include 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 by the PBS management.

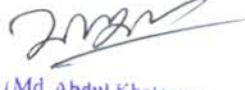
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In course of review and verification if the Auditor-in-charge finds any case of fraud/misappropriations, it should be referred to the Director, PBS Audit through Deputy Director, Audit for handling and be noted carefully in the working papers. A supplemental/interim report may be prepared by the Audit-in-Charge and be placed to the Director, PBS Audit, through Deputy Director, Audit and to be submitted to the Chairman, BREB for early necessary action.

**Issue of reports:**

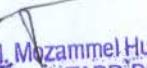
The report should be typed and duplicated in the clear and sufficient copies. It should be addressed to the PBS General Manager and the printed/typed copies distributed to the concerned Director, PBS Monitoring & Management Operation. The General Manager of the PBS should be required to arrange a special Board Meeting within suitable period not exceeding one month from the date of issuance of the report and the Director/DD, PBS Audit be informed of this at least seven days prior to holding of such meeting so that he could attend himself or send a representative of his Directorate along with the Auditor-in-Charge. The report will be discussed at length in the meeting and comments and recommendations made by PBS President, Directors and Advisors will be noted in the report.

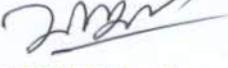
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Follow-up:

The PBS management will comply with the comments and observations and implement the recommendations made in the special board meeting and furnish para-wise reply to the observations incorporating the comments and recommendations made by both the Auditor-in-Charge and PBS Board of Directors to the Director, PBS Audit within 15 (fifteen) days from the date of holding of such special Board Meeting.

The Para-wise reply will be examined by the Deputy Director, Audit and the points settled through the replies will be dropped for further pursuance in consultation with the Director, PBS Audit. With regard to the remaining paragraph(s) a working paper will be prepared by the Deputy Director, Audit with the comments on the action(s) already taken suggesting further action (s) that are necessary. This working paper will be submitted to the Pre- review Committee consisting of the following members:

1. Controller (Finance & Account)	- Convener
2. Director, Financial Monitoring	- Member
3. Director, PBS Audit	- Member-Secretary

After exclusive review, the Committee will submit its 'Report' to the "PBS Audit Review Committee" with a copy to the PBS General Manager for information and necessary action. The PBS Audit Directorate will arrange meetings of the "PBS AUDIT REVIEW COMMITTEE" at a suitable time interval.

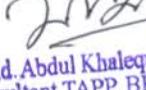
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A number of working papers will be reviewed and followed up by the "PBS Audit Review Committee" consisting of the following members:

1. Chairman, BREB	Chairman
2. All full time members of the Board	Member
3. Controller (Finance & Accounts)	Member
4. Executive Director	Member
5. Chief Engineer, Planning & Operation	Member
6. Director (PBS Audit)	Member - Secretary
7. Director (PBS Monitoring & Management Operation)	Member
8. Director, Financial Monitoring	Member
9. Director, System Operation	Member
10. Director, (SE&D)	Member

The committee will review the working papers as a whole on the action(s) taken or proposed and issue appropriate orders/take decisions for implementations. The PBS Audit Directorate will also be responsible for following-up the implementation of the decisions of the "PBS Audit Review Committee."

The PBS General Manager/concerned officials will inform the Director, PBS Audit of the implementation position/status of orders/decisions taken by the "PBS Audit Review Committee" within 1 (one) month of such meetings held.

#### **4. AUDIT PROCEDURES - FINANCIAL**

The utmost importance of comprehensive audit activities to be undertaken by the PBS Audit directorate lies in the fact that the auditor has the responsibility of -

- appraising and evaluating the existing system of internal control to prevent and detect fraud, defalcations and other irregularities;

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- detecting non-compliance with the PBS policies and procedures;
- suggesting measures for bringing about possible economy in operation;
- examining efficiency and effectiveness of management activities for achieving pre-determined economic goals and suggesting measures for improvement.

The auditor has to observe and conduct tests of recorded transactions. The extent of tests will depend on the judgment of the auditor-in-charge of the assignment and on the results of the review and evaluation of internal control. The Deputy Director, Audit should be consulted before any test is extended beyond the period under review, due to weaknesses noted in the accounting records and internal control.

The audit procedures which are to be followed are discussed in details in the succeeding sections.

#### General:

The contents of the permanent file should be reviewed and any changes in any of the following noted -

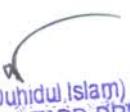
- organization chart (changes in officers, duties and others);
- operational procedures;
- periodic financial reports submitted to higher management;
- others;

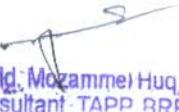
The accounting systems and procedures file should be made up-to-date. Prior year's audit report should be reviewed and the extent of compliance with the recommendations on improvement of the accounting and internal control procedures should be determined.

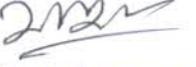
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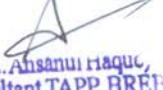
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#### 4. A : LOAN FUND AND INTEREST

##### Objectives:

- Provide assurance of continued security of existing loans and determine the security of proposed loans.
- Ensure that PBS's construction and installation programs are carried out in accordance with the loan contracts and policies of BREB.
- Examine if all long term debts were incurred with the prior approval of competent authority.
- Determine if PBS has complied with the requirements and restrictions imposed by the loan agreements.
- Check if the interest has been accurately calculated and charged to the current period.

##### Audit Procedures:

- Ascertain if all liabilities of PBS are recorded and that all items recorded represent genuine obligations.
- Check the changes during the period under review in loan terms and related interest accounts.
- Confirm all long term debts, requesting information as to amount, terms, collateral and unpaid interest.
- Examine loan agreements and determine whether loans were obtained with the proper approval of competent authority.
- Ascertain whether the terms and conditions of the loan contracts have been complied with.
- For cash loans, trace the proceeds to the cash receipts and to the bank statements. For other types of loans, check debit memos regarding the equipment, materials and supplies received from BREB.

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#### 4. B: CASH:

This section deals with the receipt, deposit and recording of all monies received at the various cash-handling areas in the PBS.

##### Objectives:

- Assess the adequacy of internal controls over the receipt, deposit and recording of cash and cheques received.
- Check that the cash at the beginning and end of the audit period was in fact on hand and available and that it is in agreement with the General ledger or control record.
- Check if all collections of consumers accounts have been transferred to the Central Collection Account.
- Examine other sources of cash such as, membership fees, and consumer Deposits, etc. and verify whether Controls are in existence to prevent its misappropriation before and after it has been recorded in the books.
- Ascertain that no person can influence directly or indirectly all records relating to the receipt or disbursement of funds.
- Assess the efficiency and timeliness with which cash receipt information is put into the financial system and thereby made available for investment decisions.
- Determine whether the handling of receipts is consistently administered in compliance with all relevant financial policies of the PBS.
- Check if all expenditure are justified and are supported by properly approved evidence.
- Determine whether the cheque issue and bank transfer functions are consistently administered in compliance with all relevant PBS policies and instructions.

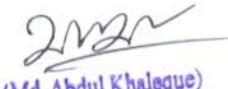
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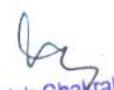
  
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**Audit Procedures:**

**a) Bill Collection:**

- Choose a test period and examine the cashier's/agent banks'/Mobile Operators' collection reports and the corresponding consumers' bills. Prove the arithmetical accuracy of the collection reports.
- Examine the above documents against the collection record for the period under test, noting proper distribution of accounts.
- Check the totals of the daily collection reports to the related bank statements, each collection register, SMS billing collection statement, and UIISC collection statement.
- Scrutinize castings and cross castings of the collection record.
- Obtain a summary of the monthly statement of revenue and collection for the period under test and trace the details of collections to the collection record covered by the test.
- Check posting of the details of the individual collection record to credit in the consumers ledger. Alternate this procedure with checking credits in the consumers' ledgers against the individual collection records. In both procedures, be sure that all entries in the collection records and in the consumers' ledgers for the test period chosen are accounted for.

**b) Miscellaneous Cash Receipts:**

- Examine collection records not covered by the test and investigate any unusual items noted.
- Check the recording of cash receipt journal to the General Ledger.

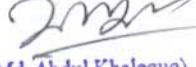
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c) Consumer Deposit:

- Choose a test period and examine the collection from consumer deposit (guarantee deposit) book with Daily Collection Report.
- Ascertain that the daily collections have been entered into the Cash Receipt Journal.
- Verify the monthly total with the General Ledger.
- Verify the General Ledger balance with consumer deposit register.
- Examine the adjustments with consumers' ledger.

d) Membership Fees:

- Verify the membership collection report to the Cashier's Daily Collection Report for the test period.
- Check the entries in the Cash Receipt Journal to Cashier's Daily Collection Report.
- Verify the monthly total with the General Ledger
- Verify the General Ledger balance with membership register.
- Examine the refund with PBS Board Resolution.

e) Sales Proceeds:

- Examine the issue vouchers with money receipt issued by the Cashier.
- Check the entries in the Cash Receipt Journal to Cashier's Daily Collection Report.
- Verify the monthly total with General Ledger.
- Choose a test period and check the money receipts with Cashier's Daily Collection Report.
- Examine the Cashier's Daily Collection Report and the corresponding bank validated deposit slips.

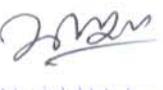
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- Check the cash receipt journal with Cashier's Daily Collection Record.
- Verify the monthly total with the General Ledger.

**f) Cheque Disbursements:**

- Check each disbursement voucher by referring to supporting documents, testing distribution, giving attention to approvals as to receipt of goods or services, price and terms, among others; and testing the recapitulation of invoices. See to it that items that are bonafide disbursements of the PBS are properly authorized and have been included in the budgeted expenses for the fiscal year. The original invoice should normally accompany the disbursement voucher. Ascertain if any duplicate invoices are used as supporting documents.
- Carefully look for any alterations in the supporting documents, especially as to amounts. Take note that all papers supporting the disbursements are stamped "PAID" and marked with the date of payment and cheque number.
- Scrutinize the total amount of the disbursement against the underlying cash voucher.
- Scrutinize the correctness of the account distribution.
- Check the individual vouchers to entries in the Disbursement Voucher Journal and note that amounts are extended under proper account columns.
- Account for the numerical sequence of cheque issued and see that cancelled cheques are duly preserved.
- Note castings and cross castings of the cash book.
- Scrutinize the recapitulation of the sundry column of the Disbursement Voucher Journal.

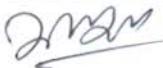
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- Check postings from disbursement voucher journal to the General Ledger.
- Trace postings of individual vouchers affecting accounts receivable and accounts payable against the applicable subsidiary ledgers.
- Make general survey of the Disbursement Voucher Journal for the period not covered by the tests and vouch large and unusual items to determine that they are in order.

g) Cash at Banks:

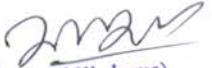
- Obtain bank statement(s) for the period under audit from the Bank(s).
- Obtain balance confirmation certificate(s) directly from the Bank(s).
- Obtain bank reconciliation statements as of the end of the test month(s) and as at the end of the month(s) immediately preceding the month under test.
- Undertake the following procedures on the beginning of bank reconciliation(month prior to the month under test).
  - check arithmetical accuracy;
  - check bank balance against the opening balance of the bank statement for the period under test;
  - check book balance against the general ledger;
  - Check that the amount collected in PBS collection booth is deposited to the bank every day that will have to be made by person other than cashier & assistant cashier.
  - ascertain deposits in transit against cash receipt journal and the bank statement of the period under test;
  - vouch any other reconciling items such as, errors in recording, debit and credit memoranda, among others;

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- Check reconciliation of bank accounts for the period under test as follows:
- check the correctness of outstanding cheques by comparing paid cheques shown in the bank statement against the cash book and the beginning reconciliation;
- trace outstanding cheques, deposits in transit and other reconciling items shown in the reconciliation statements of the month following the period under test;
- vouch outstanding cheques of material amounts;
- examine all bank debit and credit memoranda and collection reports and trace to corresponding book entries;
- check the correctness of unrecorded bank deposits by tracing miscellaneous cash receipts as shown in the bank statements to the cash book entries. Investigate deposits which were recorded late. Account for any receipts not shown as deposits in the bank statement or for any credits shown in the bank statements not recorded as receipts in the Cash Receipt Journal;
- vouch all other reconciling items;
- prove arithmetical accuracy of the reconciliation;
- check balance per reconciliation against the bank statement and the General Ledger;
- account for inter-bank cash transfers for at least seven days before and seven days after the reconciliation date and ascertain that related disbursements and deposits are recorded in the same period.

**h) Imprest Fund:**

- Ascertain that the Imprest fund does not exceed the limit prescribed in the relevant PBS Instruction 200-13.

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- Select a test period when fraud may be more easily committed, such as the month when the approving officer is absent or on leave, busy periods and just prior to holidays.
- Determine that the expenditure from the Imprest fund has been made in accordance with the PBS Instruction 200-13.
- Verify that the petty cash vouchers have been duly signed by the payee and maintained properly.
- Verify that no disbursement was made against 'IOU' (temporary advance).
- Verify that the balance at cash safe agrees with the records.
- Scrutinize carefully invoices supporting petty cash vouchers and investigate any erasures, alternations of amounts, or additions of figures. Verify castings and cross castings of each voucher and its supporting documents.
- Check carefully dates on petty cash vouchers and ascertain that these dates fall within the period from the last replenishment to the next replenishment. Note that all papers supporting the petty cash voucher are stamped "PAID".
- Verify the correctness of the account classification and note approvals of each individual petty cash voucher.
- Check the details of the Imprest fund report to the covering replenishment voucher.
- Trace each petty cash voucher to the Imprest fund report.

#### 4. C: REVENUE:

##### Objectives:

- Assess the efficiency of billing functions of PBS.
- Evaluate the adequacy of internal control on billing.
- Examine whether all bills are valid and capable of being supported by documentary evidence and that such bills are promptly and correctly recorded in the accounts.

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### Audit Procedures:

#### a) Revenue - Sales:

- Verify the arithmetical accuracy of the meter reading for the test period selected.
- Check the corresponding bills against meter reading.
- Verify the computation of the bills by using the approved rates.
- Check the recording of the bills to the consumer's ledger noting the propriety of the distribution of accounts.
- Examine the castings and cross castings of the consumer's ledger.
- Check the totals to the monthly statement of revenue and collections.
- Check postings of the details of the individual consumer's bills to debit in the consumer's ledger. Alternate this procedure with checking debits in the consumer's ledger to the individual consumer's bills. In both procedures, be sure that all bills and the debit entries in the consumer's ledger for the period under test are accounted for.

#### b) Revenue - Others:

- Examine the validity or authenticity of other revenues, checks/bills/bank credit advices with the documents.
- Verify the bills with the approved rates.
- Check recording of the revenues in the accounts.

### 4. D: EXPENDITURE:

#### Objectives

Check that the expenditure are genuine and have been incurred under proper delegation of authority.

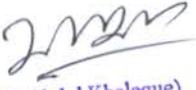
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Verify that the expenditure is controlled according to budget allocation and variations are properly justified.

See that the relevant instructions have been followed in classifying the expenses.

#### Audit Procedures

Major part of the verification of expenses will be covered in the review of internal control as well as in the audit procedures for balance sheet items which are related to the operating accounts. The following additional procedures should, however, be carried out:

- Check on a test basis postings to expense ledgers from original records and vice versa;
- Test check castings and extensions of the expense ledgers and compare the total of the ledgers to the control accounts;
- Scrutinize the expense ledger accounts and related sources of postings to see that all items covered by the period under test are accounted for;
- Check the expense accounts and note whether the balance have varied materially from month to month during the period under review. Note any material variation;
- Verify that the expenses have been classified as per instruction and allocated to the proper accounts;
- Analyze certain expense accounts. These analyses should be prepared in summary form showing the important and material items comprising the account;
- Check the balance of each expense account with that of the same period of the preceding year and with the budget for the current year. Note any significant variations.

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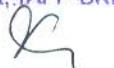
  
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#### 4. E : a) RECEIVABLES - SALES

##### Objectives:

- Assess the efficiency of collection functions with reference to receivables.
- Evaluate the adequacy of internal control over accounts receivables.
- Examine whether all amounts due are valid and are capable of being supported by documentary evidence and that such amounts are promptly and correctly recorded in the accounts.
- Determine whether doubtful accounts are adequately provided for and that bad debts are written off.

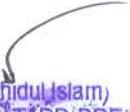
##### Audit Procedures:

- Obtain a detailed listing of consumers accounts showing their account number, the amount owing and aging of accounts.
- Verify the details in the schedules with the individual ledger. Check the aging of the accounts on a test basis.
- check castings and cross castings of the schedule and compare the total of the receivables to the control account balance of general ledger.
- Send confirmation requests for selected accounts receivable. Send out second confirmation requests for those who do not reply to the first requests.
- Reconcile replies to confirmation requests with reporting difference. Review such reconciliation made.
- Summaries the results of the confirmation.
- Look for subsequent payments of major accounts where no confirmation replies are received or where replies are unsatisfactory.

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- Investigate carefully into the nature and origin of accounts with unusually large balances.
- Review the accounts receivable schedule with the A G M (Finance) / (Finance Revenue) and discuss possible allowances for doubtful accounts or the write-off of bad debts from the books. Assess if the allowance provided for doubtful accounts is adequate to cover losses arising from the non-collection of accounts.
- Check the details of the monthly statement of revenue and collections to the related journal voucher taking up the collection for the period under test.
- Check the recording of the journal voucher to the journal voucher to the journal book.

**Receivables - Others:**

- Determine the propriety of the description and classification of other receivable accounts.
- Examine the validity or authenticity of other receivables.
- Determine the collection ability of the accounts and the adequacy of the provision for doubtful debts.

**Audit Procedures:**

- Obtain schedules of other receivables as of the end of the period under test.
- Examine castings of the schedule and compare the total of each receivable account to the control accounts in the General Ledger.
- Check individual accounts in the schedule to the related subsidiary ledgers.

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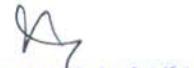
  
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- Confirm significant balances. Consider sending another confirmation request to those who do not reply to the first request.
- Check the supporting documents of accounts with material balance.
- Consider reliability of the accounts and asses the adequacy of the provision for doubtful accounts.

#### **4. F : PAYABLES:**

##### **Objectives:**

- Evaluate the adequacy of internal control over accounts payable.
- Examine whether all amounts payable are valid and supported by documentary evidence.
- See that the payable amounts are promptly and correctly recorded in the accounts.

##### **Audit Procedures:**

- Get a schedule of the accounts payable. check the schedule to the individual balances in the accounts payable subsidiary ledger.
- Check the castings and cross castings of the accounts payable schedule and check the total against the control account.
- Send confirmation requests for a number of accounts or request statements from vendors particularly those of large balances and other items of unusual nature.
- Note all significant differences between the accounts payable records and the suppliers' statements or creditors' replies to the confirmation request.

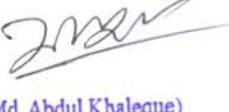
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- Check the supporting documents of accounts with large balances. Verify subsequent payments of such accounts.
- Carefully check long outstanding balances to ascertain whether such balances represent actual liabilities and if so, whether there is valid reason for withholding payments. Retention on contract payments should be verified by examining the contracts.

#### **4.G: STOCKS AND STORES**

##### **Objectives:**

Test the accuracy of the quantities of stocks and stores and the physical, existence of items included in the inventory. Ascertain whether materials and supplies were valued on a basis consistent with that of the previous year and that the pricing methods used are in accordance with PBS policies and instructions.

- Determine, if any obsolete or defective goods included in the inventories are stated at fair values and whether adequate provision has been made for possible losses on slow moving items.
- Check the accuracy of arithmetical computations.

##### **Audit Procedures:**

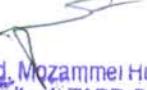
- Determine the location of stocks and stores and plan the observation of inventory count;
- Review the stocktaking instructions to ascertain if the procedures to be followed in the physical verification of stock are complete.
- Obtain the stock list showing the figures according to the count and according to the records.

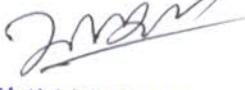
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- Ascertain accuracy of inventory quantities by observing how the count is conducted and by making test counts of selected items.
- Compare or reconcile the stock count with the perpetual inventory records. Investigate any material discrepancies between the count and the records.
- Check the pricing of stocks and stores by referring to suppliers' invoices and other records.
- Verify castings and extensions of the stock list.
- Ascertain if the perpetual inventory records were adjusted to agree with the physical count.
- Select a test period and test posting to stock record cards for purchases, materials requisitions and transfers.
- Observe the general conditions of the stocks and stores each in store room and on the physical control exercised over the materials.
- Verify all entries in the issue columns of stock record cards against requisition and issue vouchers and stock transfer slips for the period covered by the test. Prove the arithmetical accuracy of each document and note the propriety of account posting.
- Ascertain that proper approvals were obtained for the issuance of the materials.
- Match each requisition and issue vouchers as well as stock transfer slip with the stock issue report of the period under test. Prove the castings and cross castings of the stock issue report.
- Compare the details of the stock issue report with the journal book.

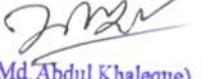
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- Check the receipt of materials to see if purchasing procedures have been followed.
- Check extensions and balances of a number of stock record cards for the period selected. Investigate any erasures or alterations of stock record card entries.

#### 4. H: DEFERRED DEBITS AND PREPAYMENTS:

##### Objectives:

Determine if the expenditure under this head are valid. Ascertain that definite benefits will be received in future periods from any charges being carried forward as assets. Ascertain the reasonableness of the amortization program being applied to these assets.

##### a) Audit Procedures - Deferred debits:

- Analyze the deferred debits accounts and verify significant items against supporting documents.
- Analyze the deferred debits accounts thoroughly and recommend reclassification of charges to specific accounts.
- Examine the authorization to determine that deferred debits have been properly approved.
- Examine the credits on a test basis to ascertain if these have been properly authorized, are consistent with the original plan, are reasonable in the light of current operations and are charged to the proper expenses accounts.
- The auditor has to include the deferred debits schedule in the audit report.

##### b) Audit Procedures - Insurance prepayments

- Obtain a schedule of insurance policies as at the end of the period under review.

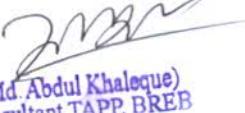
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- Check important insurance policies and vouch insurance premium paid.
- Scrutinize the computation of the expired and unexpired portion of the premiums paid.
- Check the expired premiums with the appropriate expense accounts.
- Review the adequacy of insurance coverage of fixed assets and inventories.

**c) Audit Procedures - Other Prepayments:**

- Obtain a schedule summarizing the details of prepayments at the end of the period under review.
- Test check the items and ascertain that they are properly chargeable to future operations.
- Ascertain significant prepayments by referring to documents supporting the disbursement.
- Check the computations of the expired and unexpired portions and tally the expired portion to the appropriate expenses accounts.

**4. 1 FIXED ASSETS AND DEPRECIATION**

**Objectives:**

- Verify that the procedures of accounting for fixed assets are properly carried out i.e. additions during the period under review are properly capitalized and that these represent actual physical property acquired or constructed; and disposal, transfers or scrapings have been properly recorded in the accounts.
- Ascertain that the basis of valuation of property is in accordance with PBS policies and instructions.

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- Ascertain that the depreciation charges for the period under review are reasonable and that the depreciation rates and methods used are in accordance with the PBS policies and instructions.
- Ascertain that properties recorded are actually on hand at locations indicated.
- Ascertain the adequacy of accumulated depreciation.

#### **Audit Procedures - Construction work-in-progress**

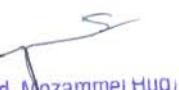
- Select a number of construction work orders for review.
- Determine that the capital work-in-progress was authorized by competent authority and that the expenditure for the work was included in the capital budget of the period under review.
- Check the detailed estimate of each work and the detailed specifications.
- Test the summaries of the types and amounts of charges to the selected work orders. Vouch or review the supporting documents of significant or unusual items in the summary. Review the basis of allocating common overhead charges to the different works and determine its reasonableness.
- Check the actual expenditure incurred with the estimated cost and determine reasons for significant variances.
- Ascertain charges to the work in relation to the long term debt to verify that loan or aids received are actually spent on proposed works.
- Undertake a physical verification of selected works and observe if the policy during the period of construction is being followed.

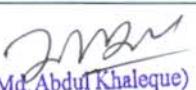
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- Scrutinize the construction work in-progress subsidiary ledgers and investigate any extraordinary and material charges recorded therein.
- Compare the total of the individual balances of the ledgers with the General Ledger.
- Check all items included in construction work-in-progress to ensure that all completed works are transferred to fixed assets accounts.
- Verify that no repair or maintenance work is included in the construction-work-in-progress account.

**Audit Procedures - Fixed Assets:**

- Inspect copies of the certificate of title on land owned or acquired during the period under review.
- Obtain a schedule showing the summary of charges in the fixed assets accounts with a detailed analysis of major additions, disposal, transfer or scrapings.
- Check work completion reports, work authorization orders and documents supporting significant charges. Check, if any, the related analyses of construction work-in-progress accounts made in the prior periods. Physically inspect the major addition to fixed assets.
- Vouch disposals, sales, transfer or scrapings of fixed assets for the period under review and make sure that the related accumulated depreciation, depletion or amortization has been written off from the books.

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- Check changes in the accumulated depreciation, depletion and amortization during the year. Review the depreciation policy and see if this is in accordance with the PBS policies and instructions.
- Select a number of continuing property records and determine whether the balance of the continuing property records agree with the General Ledger.
- Ascertain if physical verification of fixed assets has been undertaken at least once in the year.

#### **J: OTHER LIABILITIES AND PROVISIONS:**

##### **Objectives:**

- Assess the adequacy of internal control and procedures over liabilities.
- Ascertain that all existing liabilities have been recorded.
- Ascertain that the amount of liabilities shown in the General Ledger agrees with the supporting documents.

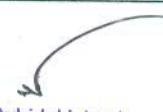
##### **Audit Procedures - Accrued liabilities**

- Get a schedule of the accrued expenses as at the end of period under review.
- Assess the adequacy of the detailed accounting records maintained for each type of accruals.
- Scrutinize any contracts or other documents which provide the basis for the accruals.
- Check the computations of the accruals made and compare accruals with the related expenses accounts.

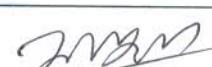
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#### Audit Procedures - Other liabilities :

- Get schedules of other liabilities as at the end of the period under audit. Check the individual balances to the related subsidiary ledgers and compare the totals of the schedules to the control account of General Ledger.
- Examine supporting documents and ascertain the nature of the accounts.
- Send confirmation requests involving large balance and reconcile with the replies noting differences.

#### Audit Procedures - Deferred Credits:

- Obtain a schedule of deferred credits as at the end of the period under review and examine the nature and origin of the credits.
- Scrutinize supporting documents and check the basis and allocation.

#### Audit Procedures - Clearing Accounts:

- Get copies of the reconciliation statements of clearing accounts at the end of the period under review.
- Examine the reconciliation statements and verify the nature of significant clearing items by checking the supporting documents.
- Follow-up disposition of reconciling items.

#### Audit Procedures- Balance with Government Govt.:

##### Agencies/Departments

- Obtain a schedule of the account and determine the propriety of charges or credits.
- Confirm the balances of the account with the appropriate agency/department of the Government of Bangladesh.

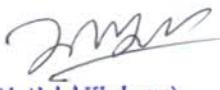
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## 5. AUDIT PROCEDURES - OPERATIONAL

### General:

Operational audit refers to the appraisals of the administrative controls over activities other than those included in accounting and financial audits. The objectives of the auditor in conducting operational audits are based on the following management needs:

- 1) Reassurance that management plans are comprehensive, consistent and understood at the different operating levels;
- 2) Objective information on how well the management plans and policies are being carried out at the operating levels;
- 3) Reassurance that all operating reports can be relied on as a basis of action;
- 4) Information on weaknesses in administrative controls, particularly as to possible sources of wastes and inefficiencies;
- 5) Aid in measuring the efficiency of operations by feedback of information on the quality and cost of the work and adherence to schedule.

### Objectives

- Identify the means of reducing cost and expenses;
- Improve controls over all the assets;
- Attain all other PBS goals and objectives;
- Evaluate the effectiveness of management controls in non-financial areas.

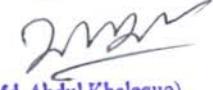
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In conducting the operational audits, the auditor samples the work being performed to see whether it is in accordance with approved procedures. He will verify the accuracy and consistency of the data or information contained in operating reports and study the format of these reports to determine whether the information is presented in a meaningful manner. In performing all these procedures, the auditor must be alert to detect indications of waste and opportunities for improvements. The general approaches to operational audits are summarized below:

- 1) Define the purpose of the audit - Specify clearly what controls are to be appraised and determine their relationship to specific functions so that the scope of the examination may be clearly established.
- 2) Undertake a preliminary survey of the operations to be covered - This step will involve the study of organizational charts, statements of the functions and responsibilities assigned, management policies and directives affecting these functions and operating procedures.
- 3) Conduct preliminary visits of the organizational units to be covered. This visit will be made to be able to interview the supervisory personnel to determine their specific objectives, the methods used to accomplish these objectives, the standards used to measure accomplishment and the principal problems encountered in achieving the objectives. During these visits, the auditor should also observe the operations and inspect available records and reports covering functions to be audited.

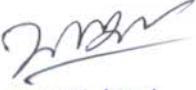
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- 4) Prepare the audit program- The program will consist of the list of questions to be answered in order to ascertain the adequacy of the controls and the detailed procedures to be performed in order to obtain answers to the basic audit questions.
- 5) Conduct the field work - This phase of the work will start with the selection of the specific items to be reviewed in order to determine the adequacy of the procedures and controls.

The auditor should review in detail the items selected through tests of the records and the direct observation of how the function is performed. As the field work progresses, the auditor should summarize his findings and evaluate the materials gathered.

The operational auditing activities of the PBS will cover the following areas:

- Payroll and Personnel System
- Procurement
- Inventory Control
- Consumers Services
- Budgetary Control
- General Operations

## 5. A: PAYROLL AND PERSONNEL SYSTEMS

### Objectives:

Assess whether payments in respect of wages and salaries are made only to legitimate employees at authorized rates of pay; in accordance with records of work performed; and accurately calculated;

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- Determine whether payroll deductions have been correctly accounted for and, if appropriate, paid to the third parties to whom they are due;
- Determine whether all valid payroll transactions and only those transactions are accurately recorded in the General Ledger;
- Evaluate whether there is appropriate budgetary and allotment control over payroll costs; and
- Assess the adequacy of internal control system over payroll functions

**Audit areas:**

- Organization;
- Authorization, Processing and Payment;
- Summarization (posting to General Ledger) and -Payroll Budget.

**Audit Procedures - Organization**

- Ascertain that the governing authorities clearly define the responsibilities and controls for the various payroll functions;
- Ascertain that the responsibilities for, and policies and procedures to be followed, in the administration of payroll functions are clearly documented and effectively communicated to all staff.
- Assess the adequacy of the present organizational arrangements.
- Check personnel records and comment on completeness and appearance of files.
- Verify whether the existing personnel policies are adequate for the administration of payroll.

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- Examine whether the actual duties of the employees agree with the approved job descriptions.
- Determine the efficiency and documentation of the appointment process.

**Audit Procedures - Authorization, Processing and Payment :**

- Test that all payroll actions for hiring employees and terminating employment are authorized, complete and accurate and in accordance with the PBS policies and instructions.
- Test that salaries, allowances and deductions are in accordance with authorized rates and in accordance with the PBS policies and instructions.
- Test that payroll expenses are charged to the appropriate accounts and properly recorded in the general ledger.
- Examine names and salary/wage rates with the personnel records.
- Check time shown on monthly time summary to daily work report.
- Verify accuracy of payroll deductions, such as, CPF, house rent etc.
- Check castings and extensions of payroll.
- Check totals of salaries and wages with amounts paid or cheques issued.

**Audit Procedures - Summarization (General Ledger Posting)**

- Obtain evidence that the summaries used as basis for making the General Ledger postings are accurate and controlled.
- Verify the Payroll Journal with the summaries.
- Verify the summaries to the amounts recorded in the General Ledger for expenses, assets and liabilities.

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-Ascertain that the summaries have been approved by the appropriate authority before posting to General Ledger.

**Audit Procedures - Payroll Budget:**

- Obtain evidence that there is adequate budgetary control over payroll expenditure.
- Determine that the personnel budget has been prepared and approved in accordance with the realistic needs of the PBS.
- Determine that budgetary control is exercised at the appropriate level.
- Assess the effectiveness of the system of financial reporting and budgetary control in maintaining proper accountability.
- Note any extra ordinary fluctuations in salaries and wages.
- Check changes in salary rates to applicable personnel memoranda.

**5. B : PROCUREMENT (POLICIES AND PRACTICES)**

**Objectives:**

- Evaluate the overall purchasing policies and practices for constructive suggestions.
- Ascertain compliance of all officers concerned with the purchasing policies and procedures.
- Verify that all purchase orders, contracts and commitments are genuine and that they have been approved by responsible and competent authority.
- Determine that the goods and services purchased were received in the amount and of the quality as stipulated.
- Ascertain that the acquisitions over a specified amount were made through competitive bidding which were properly conducted.

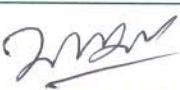
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### **Audit Procedures :**

- Review the purchasing policies and procedures and assess if they are easily understandable, being followed and updated from time to time to reflect major changes in the general policies and if they provide adequate internal control.
- Examine the organizational structure and procedural flow charts to determine that adequate internal control is maintained through segregation of duties and functions.
- Review the detailed procedures on the calling, acceptance and Evaluation of tenders and the selection and approval of the best offer.
- Scrutinize all purchase orders issued during the test period and determine if -all purchases were made on properly approved purchase requisitions;
- all purchases exceeding a specified amount were made on competitive bidding and that the procedures regarding the calling, acceptance and evaluation of tenders were followed;
- other purchase orders were awarded to the lowest bidder. Orders which are placed with suppliers other than the lowest bidder for satisfactory reasons should be scrutinized carefully;
- all known prospective suppliers were given opportunity to participate in the bids.
- all prices on purchase orders placed are in agreement with the published price lists/estimated price and catalogues.
- Review each purchase order including a detailed examination of all supporting records to satisfy the auditor that each of the operations from the initiation and approval of the requisition to the completion of the order has been handled in the best interest of the PBS.

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- Follow-up with the officer concerned about any major deviations noted in the review.

### 5.C: INVENTORY CONTROL

#### Objectives:

- Ascertain if adequate internal control measures are adopted for the protection of stocks and stores against theft, loss, damage, physical deterioration and obsolescence.
- Assess if adequate and suitable quantities and qualities of stocks and stores are maintained at all times.
- Verify if investments in inventories are kept within reasonable and controllable limits.

#### Audit Procedures:

- Undertake a review of organizational structures and procedural flow-charts of the officers responsible for inventory control to determine that adequate internal control is maintained through the allocation of duties and functions.
- Assess physical facilities for the storage and handling of inventory items.
- Determine the appropriateness of the maximum and minimum levels being maintained for a selected number of inventory items.
- Examine the material receiving, requisitioning and issuance procedures and determine whether these are being complied with.

### 5.D: CONSUMERS SERVICES

#### Objectives :

- Assess the consumers growth in relation to the plan target(s).
- Assess the effectiveness of the relevant PBS policies and instructions for rendering services to the consumers.

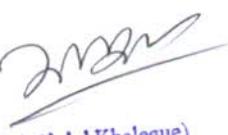
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- Ascertain if adequate co-ordination between the concerned departments of the PBS exists.
- Determine whether any irregularity occurred in rendering services to the consumers

**Audit Procedures:**

- Verify the number of potential consumers with the plan target(s).
- Verify the number of concerned consumers with reference to potential consumers.
- Determine the reasons for variances.
- Verify whether house wiring inspections have been completed against the constructed line miles.
- Ascertain the time-gap between the house wiring and the inspection.
- Ascertain the time-gap between the consumer deposits and CMO.
- Verify the time taken between CMO and actual installation of meters.
- Verify the papers of the consumers personal file and see whether those are current in all respects.
- Assess the constructed facilities remaining idle.

**5.E: BUDGETARY CONTROL**

**Objectives:**

- Ensure that expenditures have been incurred in accordance with the approved budget allocations and that appropriations have not been exceeded.
- Establish and maintain the accountability of departmental heads to the General Manager and the General Manager to the PBS Board.

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- Ensure that resources are used for the purposes intended.
- Ensure disclosure of material errors in the accounts, unauthorized transactions or loss of assets.
- Show management where action is needed to remedy a situation.

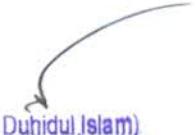
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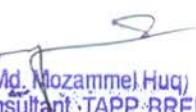
- Review the budget submission to BREB and determine whether the instructions and guidelines issued by BREB have been properly adhered to in the submission.
- Review the original and revised appropriations by object of expenditure.
- Observe whether back-up data is available and, if it is whether it is accurate.
- Review the authorities for inclusion of capital items in the budget.
- Compare the actual with the budget and find out the variations.
- Determine the reasons for variations between the budget and the actual.
- Review the authorities for transfers/re-appropriation of budgetary allocations.
- Assess the reasonableness of the variances and allotment revisions.
- Determine the degree of involvement by the departmental heads in controlling the budget.
- Verify whether the variance reports have been communicated to appropriate individuals controlling the budget.

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## 5. F: GENERAL OPERATIONS

### Objectives:

- Ascertain the adequacy of internal control over areas other than those specified in the foregoing sections.
- Determine the effectiveness of other operating units against predetermined goals and objectives.

The Directorate of PBS Audit on the recommendation of the Member (Finance) of the BREB, may conduct studies on problem areas, such as the following:

- a) Rate structure;
- b) Cost reduction;
- c) Organization and staffing pattern;
- d) Work simplification;
- e) Systems and procedures;
- f) Management reporting system.

### Audit Procedures :

Audit procedures for conducting audit in the above areas will be determined by the auditor considering the needs of the subject and the situation. The following guide-lines mentioned against each may, however, be followed for conducting audit in the above areas.

#### a) Rate Structure:

- Examine the basis for determination of rate structure;
- Verify whether the rate structure leads to the average per KWH selling price fixed in the subsidy formula;
- Comment on the variances and reasons thereof;

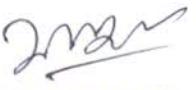
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**b) Cost Reductions:**

- Verify the authorities for allocation of expenses to various cost centers.
- Compare the actual cost with the pre-determined cost.
- Find out the variances and reasons thereof. Suggest remedial actions for minimizing the variance.

**c) Organization and Staffing Pattern:**

- Examine the organogram with reference to the relevant PBS policies and instructions.
- Examine the job descriptions.
- See whether the actual works performed conform with the job descriptions.
- Find out variations between the actual works and the job descriptions.
- Suggest changes, modifications and revisions in the organogram as well as job descriptions for conforming the practice with the policies and instructions .

**d) Work Simplification:**

- Examine the flow-chart of various activity areas.
- Discuss with the concerned officials regarding the problems encountered by them in implementing the flow-chart.
- Examine the genuineness of the problems.
- Suggest remedial actions for overcoming the problems.

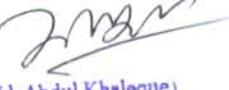
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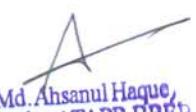
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e) **Systems/and Procedures:**

- Compare the activities with the systems and procedures.
- Examine the adequacy of the systems and procedures.
- Verify the effectiveness of the systems and procedures over the PBS practices.
- Suggest changes, modifications and revisions in the systems and procedures for improving the PBS practices.

f) **Management Reporting System :**

- Examine the reporting system used by the PBSs.
- Examine the adequacy of the reporting system.
- Determine the possibility of any revision, modification and amendment of the system.
- Suggest actions for such revision and modification for improving the system.

## 6. **SPECIAL EXAMINATION OF PBS ACTIVITIES**

In the areas either covered or not covered under the financial and operational audit, BREB/PBS may initiate special examination of PBS activities. Such special examination of PBS activities may be conducted either by the Directorate of PBS Audit or by a committee to be constituted by BREB drawing representative(s) from concerned Directorate(s) / Department(s), depending on the needs and merits of each case.

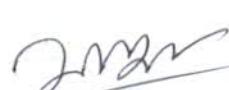
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**Objectives:**

- Assist BREB/PBS in the prevention of fraud, misappropriation, defalcation etc.
- Determine the facts with respect to reported or suspected irregularities.

**Audit Procedures:**

- Audit procedures for conducting special examination will be determined by the auditor/committee considering the needs of the subject and the situation.

**7. INTERNAL CONTROL CHECK LIST**

Internal control is essential to sound business operations. It consists of the plant of organization and procedures established by a business for the purpose of safeguarding assets, assuring accuracy in accounting and operational data, promoting efficiency of operations, and encouraging adherence to management policies.

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

1. A plan of organization which provides appropriate segregation of functional responsibilities.

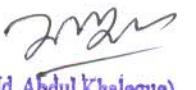
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

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

2. A system of authorization and record procedures adequate to provide reasonable accounting control over assets, liabilities, revenue 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.

The audit should use the attached checklist in reviewing and determining the adequacy of internal control arrangement and in identifying the additional measures which might be taken to improve such control. The checklist provides a series of questions, covering important phases of system operations, which are designed to be answered on a "Yes" or "No" basis.

The answers to the questions should be precise and to the point. Separate sheets may be used, if the space provided is insufficient.

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In completing the checklist the auditor will follow the following procedure:

- \* Discuss the questions in the checklist with relevant PBS employees and record their answers i.e. either 'yes' or 'no'.
- \* Carry out compliance testing of each procedure by way of taking sample transactions from each area.
- \* Ascertain the correctness of the answers given by the relevant PBS officials on the basis of the result of compliance testing.
- \* Discuss the exceptions again with the relevant officials to ensure the alternative procedure, if any, carried out.
- \* Determine the extent of checking i.e. in the areas where compliance testing result is found to be satisfactory; detail testing in those is not necessary while in case of non-compliances, detail checking is to be carried out.
- \* Instances of non-compliances are to be reported to the management.

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INTERNAL CONTROL CHECK-LIST

1. General Yes \_\_\_\_\_ No \_\_\_\_\_

1. Are policies established by the board prescribed in a clear-cut, decisive fashion? - -

2. Is a file of such policies maintained and available to all employees concerned? - -

3. In general, do methods and procedures conform to such policies? - -

4. Are well -designed systems and procedures including organization charts, job descriptions, work flow-charts etc. established and maintained? - -

5. Are employees' duties reasonably fixed as to both authority and responsibility? - -

6. Is it the practice to see that each employee is individually responsible for certain phases of the operation to be performed and yet does not have exclusive control over any transaction or asset and the related accounting record? - -

7. Where possible, are duties among employees rotated? - -

8. As a general policy, are employees required to take annual vacations? - -

9. Are duties of employees on vacation performed by other persons? - -

10. Does fidelity insurance coverage meet BREB requirements? (see PBS Instruction 200-03) - -

11. Does fidelity insurance with the Insurance Company renewed in time? i.e., there must not be any gap between the expiry date and renewal date of the policy. - -

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	<u>Yes</u>	<u>No</u>
12. Is the insurance program reviewed periodically by management? (see PBS instruction 200-3)	-	-
13. If persons related to one another are employed, are their duties such as to make collusion difficult?	-	-
14. Are all new employees required to provide Bio-data?	-	-
15. Are inquiries made of all references and former employers listed by new employees?	-	-
16. Have internal control procedures been reviewed by management by use of this check list or one similar to it within the last year?	-	-
17. Is data relating to claims against the borrower filed and controlled systematically?	-	-
18. Are safes and vaults provided for cash, securities, and important records and is access limited to a few employees?	-	-
19. Is the working space of custodians of valuable assets not readily accessible to the general public?	-	-
20. Are required monthly financial reports promptly and accurately prepared?	-	-
21. Does the AGM (Finance/ Finance Revenue) or Accountant maintain check list on required monthly reports and reconciliations?	-	-
22. Are monthly or other periodic comparisons made between operating reports and the budget?	-	-
23. Are funds deposited only in banks approved by the PBS Board and BREB ?	-	-

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৬২১ তম নোর্ড সভায় অনুমোদিত পিকাষ নং ১৯৯০০

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	<u>Yes</u>	<u>No</u>
24. Are minutes of board meetings prepared promptly and copies distributed to the board members?	-	-
25. Are all documents and reports submitted to Bangladesh Rural Electrification Board carefully reviewed and checked for accuracy and completeness before signature and submission?	-	-
26. Are all employees who are responsible for records supporting such documents and reports informed of their responsibility for their accuracy and completeness?	-	-
27. Are employees informed periodically regarding penalties for false reporting ?	-	-
28. Are adequate subsidiary records maintained of:	-	-
a) Insurance premiums paid and compensation received?	-	-
b) Rentals, receivables and payable?	-	-
29. Is care continually exercised to ensure that the personal business of directors, officers, or employees is not commingled or confused with the business of the corporation?	-	-

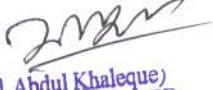
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৬২১ তম বোর্ড সভায় অনুমোদিত সিকান্ড নং ১৯৯০

  
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Yes

No

- 2. Cash

A. RECEIPTS

1. Is mail opened by someone other than the cashier, accountant or accounts receivable Personnel ? - -
2. Is a record of money and cheques received prepared by the person opening the mail ? - -
3. If so, is this record given to someone other than the cashier for independent verification of the amount recorded ? - -
4. Are official receipts and collection stubs reconciled with cash receipts prior to the preparation of deposits ? - -
5. Is office routine so arranged as to make it unnecessary for the cashier to have access to accounts receivable ledger and consumers' bill? - -
6. Are all receipts, including miscellaneous items such as the proceeds from sale of scrap, recorded promptly and deposited intact daily ? - -
7. Are cheques placed in a safe place promptly upon receipt ? - -
8. Have banks been notified not to cash any cheques payable to the borrower? - -

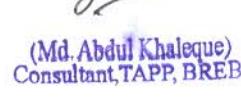
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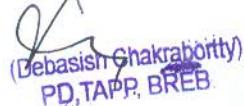
  
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৯৯০

  
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9. Is the responsibility for cash collections segregated from banking and book-keeping functions? - - -

10. Is the responsibility for making deposits assigned to someone other than the book-keeper or the cashier? - - -

11. Are bank debit advices (such as "Deposit of a cheque returned due to not sufficient funds) delivered directly to an employee (other than the cashier) for investigation and accounting control? - - -

12. Is the cash receipts journal closed promptly at the end of each month? - - -

13. If collections are received without a bill, is duplicate counter receipt immediately prepared? - - -

14. Is the cashing of payroll or accommodation cheques of employees or officers from cash receipts prohibited? - - -

B. Disbursements :

1. Are all disbursements, except from petty cash, made by cheque? - - -

2. Are all cheques pre-numbered? - - -

3. Are voided cheques promptly mutilated and held for subsequent inspection? - - -

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4. Is the signing or countersigning of blank cheques prohibited? - -

5. Is the practice of drawing cheques to "Cash" or "Bearer" prohibited? - -

6. Is a cheque protector or safety cheque paper used? - -

7. Are cheques prepared and issued within the authority and limitations as prescribed? - -

8. Are BREB construction fund cheques signed or countersigned by a corporate officer? - -

9. Are banks furnished with copies of resolutions stating clearly the current authorizations of signers and countersigners of cheques and setting for any restrictions? - -

10. Are original invoices or other supporting data presented together with the cheques submitted for signature? - -

11. Do signers actually examine invoices of other data before signing cheques? - -

12. Are bank reconciliations made by employees whose duties do not include the recording or handling of cash? - -

13. Does the employee making bank reconciliations receive Banks statements direct from bank sealed/unopened? - -

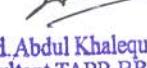
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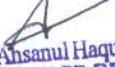
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০

  
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Yes No

14. Are bank reconciliations reviewed by other responsible employees? - -

15. Are all cheque numbers accounted for in sequence when bank statements are reconciled? - -

16. Are cheques mailed without allowing them to return to employee who prepared them? - -

17. Does employee reconciling bank accounts examine statements for cheque no. & date, name and amount of cheque listed? - -

18. Is the Disbursement Voucher Journal closed promptly at the end of each month? - -

19. Are footings in cash disbursement journal verified independently? - -

20. When transfers from one bank account to another are made, are the receipts and disbursements recorded simultaneously? - -

21. Are all cheques, for which the payee cannot be located promptly voided? - -

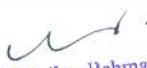
C. Imprest Fund

1. Is Imprest fund system in use? - -

2. Is primary responsibility for the fund vested in one person? - -

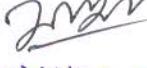
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

  
(Kamruj Ahsan Mollik  
Asst Secy (Board) BREB)

	<u>Yes</u>	<u>No</u>
3. Is fund checked at frequent irregular intervals by some one other than the custodian?	-	-
4. Are petty cash vouchers:	-	-
a) Required for all disbursements?	-	-
b) Required to be signed by payee?	-	-
c) Executed in ink or otherwise to take alteration difficult?	-	-
d) As to amounts, spelled out as well as written in numerals?	-	-
e) Cancelled, together with supporting documents, to prevent subsequent use?	-	-
f) Properly bound and filed following reimbursement?	-	-
5. Is fund maintained at balance prescribed in PBS Instruction 200-13?	-	-
6. Has a maximum figure for individual payment been established?	-	-
7. Are reimbursement cheques made out to the order of the custodian?	-	-

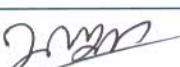
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	Yes	No
8. Is the cashing of personal cheques or IOU's from this fund prohibited?	-	-
9. Is fund used in accordance with the intent of Imprest fund?	-	-
10. Does responsible person have proper facilities for safeguarding fund?	-	-
<b>D. Investment of fund</b>		
1. Are the collection Banks make regular remittance of fund collected?	-	-
2. Is the investment of funds being made properly as per Instruction 200-29?	-	-
3. Are the FDRs/Saving Certificates encashed timely on maturity date?	-	-
4. Is the interest earned on various funds as credited by the Bank verified by the PBS?	-	-
5. Have the discrepancies, if any, been revealed in interest calculation been taken up immediately with the concerned Bank?	-	-
6. Are temporary investments made by the PBS without paying the Debt Service Liability to BREB?	-	-

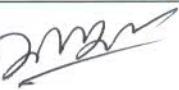
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Yes

No

3. Revenues and accounts receivables:

1. Is the total of the individual accounts balanced monthly with the general ledger control? - - -
2. Are accounts aged monthly? - - -
3. If so, is the aging reviewed by someone other than the Billing Supervisor? - - -
4. Is a definite collection policy being enforced? - - -
5. Are penalties assessed and recorded at the proper time? - - -
6. Are bills prepared for all consumers on regular billing dates? - - -
7. Have write-offs of uncollectible accounts been approved by the board of directors? - - -
8. Are proper records kept of accounts written off? - - -
9. Are meter reading records properly maintained to support billings? - - -
10. Are adjustments to individual accounts, both debit and credit, approved by a responsible employee other than the Billing Assistant? - - -

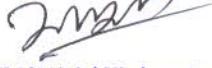
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৬২১ তম বোর্ড সভায় অনুমতি প্রিস্ট নং ১৭৭০০

  
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Asst. Secy. (Board), RREB

	<u>Yes</u>	<u>No</u>
11. Are bills checked or tested independently against meter readings and rate charts prior to delivery?	-	-
12. Are connect orders required for all connections and are copies furnished the billing department?	-	-
13. Are meter readers prohibited from making collections?	-	-
14. Is procedure so arranged as to ensure that all meter sheets in a route book are forwarded to billing departments?	-	-
15. Are meter readers rotated periodically from one route to another?	-	-
16. Are duties of meter readers such that it is un-necessary for them to have access to accounts receivable records?	-	-
17. Are periodic comparisons made between energy input and KWH billed to consumers?	-	-
18. Have retail rate schedules been properly established?	-	-
19. Are periodic tests made to determine that rates are being correctly applied?	-	-

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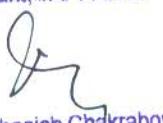
  
 (Md. Mozibur Rahman,  
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৬২১ তম বোর্ড সভায় অনুমোদিত সিক্ষণ নং ১৭৭০০

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

Yes

No

20. Do employees who are authorized to collect funds away from the collection offices use pre-numbered receipt books? - -

21. Are meters tested periodically? - -

**4. Purchases and expenses**

1. Are duties of employees responsible for purchasing completely separated from both the accounting and receiving functions? - -

2. Are all purchases, except from petty cash, made on purchase orders? - -

3. Are purchase orders signed only by authorized persons? - -

4. Is the numerical sequence of purchase orders maintained? - -

5. Are receiving report forms used? - -

6. Are the receiving report form pre-numbered? - -

7. Do copies of purchase orders go directly to the Finance department? - -

8. Are invoices checked in the general accounting section against:

a) Purchase orders? - -

b) Receiving reports ? - -

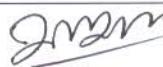
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

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

Yes No

9. Is there a definite responsibility for checking invoices as to :

- a) Prices? - -
- b) Extensions? - -
- c) Freight charges? - -

10. Are invoices effectively marked to avoid duplicate payment? - -

11. Are purchases made for employees approved by the General Manager or a designated employee? - -

12. Are account distributions established by a designated employee? - -

13. Are distributions received at or prior to the time vouchers are approved or paid? - -

14. Are vouchers for purchases and expenses examined by a designated officer or employee to ascertain completeness of attachments and various required approvals? - -

15. Is postage adequately controlled? - -

16. Is there adequate accounting control over returned purchases? - -

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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

  
(Kamru! Ahsan Molla)  
Asst. Secy. (Board), BREB

Yes

No

5. Accounts receivable - other :

1. Are adequate subsidiary records maintained and balance with the General Ledger control monthly? - -
2. Is the custodian of the subsidiary records prohibited from all cash handling functions? - -
3. Are monthly statements prepared promptly? - -
4. Are bills (other than for sale of merchandise) reviewed and approved by the AGM (Finance/ Finance Revenue) or other designated employees prior to their release? - -
5. Are all legitimate claims promptly recorded as receivable? - -
6. Are accounts aged monthly? - -
7. Are aging independently reviewed and delinquent accounts followed-up? - -
- B. Are adjustments to individual accounts, both debit and credit, approved by a designated employee other than the Cashier or Accounts Assistant? - -

6. Payrolls:

1. Are the various steps involved in the preparation of the payroll divided among two or more employees? - -

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৬২১ তম বোর্ড সভার অনুমোদিত সিদ্ধান্ত নং ১৯৯০০

*R*  
(Kamrul Ahsan Molla)  
Asst. Secy. (Board), BREB.

	<u>Yes</u>	<u>No</u>
2. Are clerical operations in preparation of payroll double-checked before payment?	-	-
3. Are written authorizations from the General Manager required for all:	-	-
a) Changes in pay rates?	-	-
b) Additions and separations of personnel?	-	-
4. Are Daily Work Reports properly approved by concerned supervisor or other designated employees?	-	-
5. Do Daily Work Reports contain sufficient description or activity to enable proper distribution to accounts?	-	-
6. Are payroll disbursements made from a bank account restricted to that purpose?	-	-
7. Are payrolls of salaried employees and special payroll items (advances, etc.) subjected to the same critical routine as other payroll items?	-	-
8. Do remittance advance slips accompany all payroll cheques?	-	-
9. Is proper control exercised over	-	-
a) Arrears in pay ?	-	-

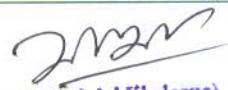
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

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

	<u>Yes</u>	<u>No</u>
b) Unclaimed wages?	-	-
c) Deductions from payrolls?	-	-
d) Overtime payment?	-	-
10. Are payroll cheques delivered only to the payee or as authorized by him in writing?	-	-

**7. Accounts Payable:**

1. Is the aggregate of unpaid invoices reconciled monthly with the General Ledger control account?	-	-
2. Are statements from vendors compared monthly with recorded liabilities thereof?	-	-
3. Is there an established procedure to ensure that invoices are paid within discount dates?	-	-
4. Do adjustments or recorded accounts payable require the approval of a properly designated person?	-	-
5. Are debit balances of substantial amounts reported to the General Manager or AGM (Finance-Account)?	-	-
6. Is the person charged with responsibility for recording and maintaining accounts payable subsidiary records prohibited from any duties in connection with the preparation of cheques?	-	-

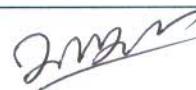
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

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

Yes

No

8. STOCK AND STORES :

1. Are perpetual inventory records maintained for each classification of materials and supplies, including reels and other containers? - -
2. Do the records reflect quantities, unit prices and values? - -
3. Are perpetual inventory records reconciled monthly with the General Ledger control? - -
4. Are unaccounted for differences (suspense items) investigated promptly? - -
5. Are all major adjustments to materials records approved by the PBS Board? - -
6. Are perpetual inventory records kept by employees other than the Storekeeper(s)? - -
7. Are cash sales by Storekeeper(s) prohibited? - -
8. Are complete physical inventories taken at least once a year for all classifications of materials and supplies? - -
9. As to Physical Inventories:
  - a) Are adequate instructions issued to participating personnel? - -

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৬২১ তম বোর্ড সভায় অনুমোদিত সংস্কারণ ১.১৯৭০০

	<u>Yes</u>	<u>No</u>
b) Are typed or written count sheets, filing descriptions but no quantities, prepared in advance?	-	-
c) Is stock arranged well physically prior to count?	-	-
d) Are test counts made by personnel independent of those maintaining perpetual inventory records and of the Storekeeper(s)?	-	-
e) Are obsolete or damaged items physically segregated and counted separately?	-	-
f) Are priced inventory sheets double checked as to prices, extensions, footings and summarizations?	-	-
g) Are inventory counters denied access to perpetual inventory records during count?	-	-
h) Is a definite cut-off date established?	-	-
10. Are materials kept in storerooms or other enclosed areas with access limited to or under rigid control of the Storekeeper(s)?	-	-
11. Are material charges and credit tickets properly prepared at the time of issue or receipt of materials?	-	-

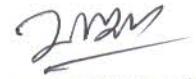
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(Kamrul Ahsan Mollik)  
Asst. Secy. (Board), BREB

Yes

No

12. Does materials system provide for periodic reporting to General Manager of obsolete, overstocked or damaged items? - - -
13. Are all material purchases delivered to the storeroom or pole yards (as opposed to direct delivery to construction or maintenance jobs) - - -
14. If not, is receipt of the materials and their use on the job subject to inventory control by the Storekeeper(s)? - - -
15. Is a reasonable degree of control maintained over maintenance, operations and other supplies which are charged directly to expense accounts? - - -
16. Is there effective control over the accumulation and sale of scrap? - - -
17. Is insurance coverage adequate? - - -
18. Are materials and supplies stored in a manner to safeguard against deterioration, fire and theft? - - -
19. Are gasoline withdrawals properly controlled and charged? - - -

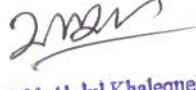
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৯৭০

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

Yes

No

**9. Fixed assets**

1. Are detailed property records maintained in support of the General control accounts? - - -
2. Are such records balanced at least annually with General Ledger control accounts? - - -
3. Is BREB procedure substantially followed in recording costs of work order construction and retirements? - - -
4. As to material, are adequate checks made between recorded materials used and materials required as shown by staking sheet assembly units? - - -
5. Are work order construction and retirement work-in-progress accounts properly reconciled with complete and incomplete work order monthly? - - -
6. Are detailed cost schedules maintained in support of contract construction work-in-progress accounts? - - -
7. Is prior authorization for large work order construction and large equipment purchases required from the PBS Board? - - -
8. Are periodic physical inventories of office, transportation, shop, laboratory and such equipment taken and compared with the records? - - -

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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

Yes

No

9. Is a satisfactory system in effect for safeguarding small tools (such as charging crews with specific tools)? - -

10. Is a system in effect whereby assurance is obtained that retirements are recorded for : - -

- Abandonment of plant? - -
- Removal of plant? - -
- Meters, transformers etc. which are no longer serviceable? - -

11. Is the use of motor vehicles restricted to official business? - -

12. Are adequate records maintained on property rented or leased to or from other? - -

10. **Membership fees and consumers' deposits** - -

- Are membership applications processed and certificates issued in accordance with the provisions of the by-laws? - -
- Are other fee and deposit receipts from members properly classified as specified by the By-Laws (connection fees, consumers' deposits etc.)? - -

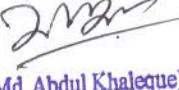
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৯৯০

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

Yes

No

3. Are adequate, separate detailed records maintained and reconciled periodically with the respective General Ledger control accounts? - - -
4. Do the subsidiary record custodian's duties prohibit him the receipt or recording of cash? - - -
5. Are refunds of fees and deposits approved by properly designated persons? - - -
6. In case of refunds are original receipts, or at least signed counter receipts, obtained before refunds are made? - - -
7. Are deposits promptly applied against balance due from disconnected consumers? - - -

**11. Loan fund and interest:**

1. Are adequate files maintained and all loan documents and interest and principal statements are contained in those files? - - -
2. Are the loan fund records reconciled periodically with BREB? - - -
3. Are debt service statements checked for accuracy? - - -
4. Is an adequate procedure in effect to ensure proper monthly interest accruals and reconciliation of the accounts with quarterly billing? - - -

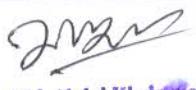
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

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

### GUIDING INSTRUCTIONS

The legal entity of the PBSs is based on PBS regulations and PBS bye-laws framed under the authority of BREB Act-2013. Besides, for guiding the day to day activities of the PBSs, instructions are issued by BREB, which are the principal means for communication of administrative, financial and engineering policies. In order to conduct audit effectively and efficiently, the auditor should consult those instructions for their guidance and report non-compliance/exceptions. The instructions issued by BREB from time to time for regulating the PBS activities are broadly divided into the following three categories:

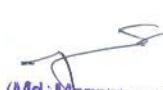
1. **Engineering** - The instructions issued under this category deal with the materials administration, and construction, operation and maintenance of distribution systems. The series assigned to these instructions are 100.
2. **Finance** - The instructions under this category provide details for financial management and maintenance of accounts of the PBS in addition to establishing financial authority of the samity officers. The series assigned to these instructions are 200.
3. **Management** - The instructions issued under this category are designed for establishing and providing policies for personnel management and administrative issues. These instructions also provide delegation of administrative authority for the PBS Board and officers. The series have been allotted for these instructions are 300.

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৬২১ তর্ফ মোড় সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

  
(Kamrul Ahsan Mollik)  
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Annexure - A

AUDIT PROGRAM - SAMPLE

SL. No.	Particulars	Assigned to	Work done		
			Date Started	Date completed	Initials or the person performed

1. General

- A) Obtain a list of
  - i) Officers
  - ii) Board members
- B) Obtain a list of accounting records and names of the persons responsible for these records.
- C) Obtain copy of By-Laws.
- D) Obtain copy of organization chart and position description.
- E) Obtain copy of chart of accounts.
- F) Index working papers.
- G) Review Board Minutes during the period.
- H) Complete internal control questionnaire.

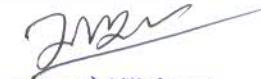
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৯৯০

SL. No.	Particulars	Assigned to	Work done		
			Date Started	Date completed	Initials or the person performed

I) Take up working Trial Balance.  
J) Review major accounting procedures

## 2. Electric Plant in Service

A) Obtain a summary of additions and retirements for the audit period by plant accounts total by classes.

B) Examine subsidiary record and verify agreement with control accounts.

C) Trace all postings to source documents and examine. Test check totals and other computations.

D) Review, test and comment on adequacy of work order and book keeping procedures used.

E) Reconcile retirements with depreciation reserve accounts.

F) Investigate and verify any unusual large items.

G) Conduct physical examination of items of substantial value in offices transportation and shop equipment on a test basis.

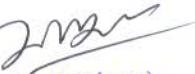
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SL. No.	Particulars	Assigned to	Work done		
			Date Started	Date completed	Initials or the person performed

H) Examine system of internal control and ascertain weakness, if any, in the system and provide comments.

I) Verify that significant repairs and maintenance charges have been capitalized properly.

J) Examine analysis of each plant account.

### 3. Completed Construction not Classified

A) Examine analysis of account 106.

B) Vouch additions by work order.

C) Trace the deductions to corresponding electric plant accounts and test the accuracy or classification.

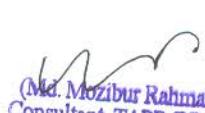
D) Verify subsequent classification of the balance to appropriate accounts.

### 4. Construction work in progress

A) Examine analysis of additions and retirements for the period by sub-accounts.

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- B) Examine and verify agreements with control accounts.
- C) Select sample work orders and trace transaction to supporting documents and verify accuracy of the amounts.
- D) Determine status of open work orders.

#### 5. Accumulated provision for depreciation

- A) Obtain a summary of additions and deductions for the audit period by plant accounts.
- B) Verify agreement of subsidiary records with control accounts.
- C) Trace total of additions to total of retirements on utility plant summary.
- D) Trace total of deductions to the applicable depreciation summary.
- E) Verify depreciation rates used with PBS Instruction 200-21.

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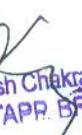
  
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F) Investigate, verify and adjust any incorrect postings.

#### 6. Retirement work in progress

- A) Obtain a schedule of open work orders and verify agreement of total with the control account.
- B) Select sample of open work orders and trace transactions to supporting documents.
- C) Verify the accuracy of the accounts and compliance with W/O procedures.

#### 7. Investments

- A) Obtain a summary of additions and deductions of investments for the period and reconcile the balance with general ledger A/C.
- B) Verify recorded costs of each investment by inspection for confirmation as appropriate.
- C) Determine ownership by inspection or with investment certificates.
- D) Trace total earnings to appropriate interest income accounts.

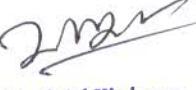
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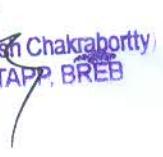
  
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### 8. Special Fund

- A) Obtain a summary of the special funds by subsidiary accounts.
- B) Verify compliance with PBS Instruction No. 200 - 29.
- C) Verify balances and ownership by direct confirmation.
- D) If interest bearing, compute, Interest accrued during the year and trace these to proper income A/Cs.

### 9. Cash

- A) Obtain a summary of deposits and disbursements by individual subsidiary A/C in the audit period.
- B) Prepare and mail bank confirmation letter. Review cut-off procedure of bank transactions taking the last 15 days transaction of the financial year and first 15 days transactions of subsequent year to ascertain expenses for the year, if any, paid in subsequent year without making any provision and vice versa.
- C) Examine bank reconciliation of all the bank A/Cs for the period under audit and trace to summary.

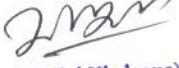
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D) Verify all outstanding and in transit items on reconciliation statements.

E) Recompute cash journals (Receipts and Payments) for selected period and trace the postings to general ledger.

F) Test totals of journals and review the descriptions in the journal.

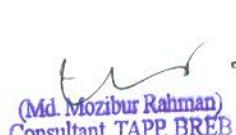
G) Examine the construction and loan fund Transactions, if any.

H) Test check cash receipts and disbursement activities in the following manner:

- Select a representation period of time.
- Examine vouchers, invoices, receipts and other data in support of all disbursements, including those made from petty cash, noting dates, approvals, evidence of receipt of goods or service and other features that may be required to make the data examined with satisfactory authority for the disbursement of cash. Identify the nature of the disbursement and reasonableness of amount and accounting distribution.

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১০১ তম বোর্ড সভায় অনুমোদিত সিকান্ড নং ১৭৭০০

  
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iii. Prove the addition of the cash disbursement records and trace all postings there from and to the general ledger accounts. Verify the clerical accuracy of the bank reconciliation for the period, including the support for the figures listed, such as, the list of outstanding cheques.

iv. Trace cheques issued prior to the period and paid during the period to the list of outstanding cheques for the beginning of the period. Trace all other cheques paid during the period to the cash disbursement records and compare cheque number and amount. See that all cheques listed in the disbursement records but not paid during the period appear on the list of outstanding cheque for the end of the period. Account for all cheque numbers used during the period. For each number used there should be an entry on the bank statement showing that cheque being paid by the bank or a listing on the outstanding cheques at the end of the period.

v) Investigate credits to general ledger bank account other than postings from disbursement records.

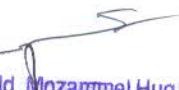
vi) Reconcile total of recorded disbursement to total debits shown by bank statement for related period.

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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

  
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vii) Prove additions of the cash receipt records and reconcile total recorded cash received to total deposits shown by bank statement for related period. Trace a sample of recorded cash receipts to source documents supporting individual entries to see that the total tally. Investigate the propriety of these documents and verify their clerical accuracy.

viii) Compare daily totals of cash received with daily deposits for evidence of with holding receipts from deposit, compare details of each received for a representative number of days with details of deposits slips for such days for indications of lapping of cash receipts.

ix) Trace postings from cash receipts record to general ledger and subsidiary ledgers. Review a sample of individual consumer accounts for non cash credits during the period and investigate the propriety of such credits.

#### 10. Imprest Fund

A. Test check the vouchers of the petty cash fund with related records and supporting papers.

B. Trace the petty cash fund disbursement in the Disbursement Voucher Journal.

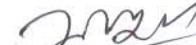
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৬২১ তম বোর্ড সভায় অনুযোদিত সিকাত নং ১৭৭০০

  
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- C) Physically verify the cash on hand in petty cash by count, compare totals with General Ledger Balances. Trace un-deposited record into bank deposit cash records.
- D) Obtain a management certificate of cash on hand as of 30 June.

11. Accounts Receivables- Electric and accumulated provision for uncollectible credit:

- A) Vouch some of the bills with original documents for the transactions made during the period.
- B) Reconcile the subsidiary ledger A/Cs with the General Ledger A/C.
- C) Prepare confirmation requests.
- D) Investigate any write-offs.
- E) Check confirmations and variances.
- F) Evaluate the adequacy for the accumulated provision for uncollectible and review and comment on collection policy.

12. Other Accounts Receivables

- A) Vouch the original transactions leading to the total accounts receivables.

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- B) Reconcile the subsidiary ledger A/Cs with the general ledger A/C.
- C) Investigate the write offs/adjustments.
- D) See that the write offs are properly authorized.
- E) Confirm the balance directly where necessary.
- F) Examine the reliability of the balance and provision for uncollectible.

### 13. Materials and supplies

- A) Review and evaluate the accuracy of physical control.
- B) Review the inventory procedure including valuation.
- C) Test count and trace to physical inventory record.
- D) Test check the unit prices, computations and totals on inventory sheets.
- E) Verify agreement between the subsidiary ledger A/Cs and general ledger A/Cs.
- F) Verify the treatment of the difference between recorded inventory and physical inventory.

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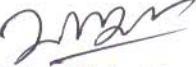
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#### 14. Other current and accrued assets

- A) Test check transaction and confirm directly, if possible.
- B) Verify balance with subsidiary ledger or their supporting documents.

#### 15. Prepayments

- A) Verify accuracy of charges and write offs as to accounts and distribution.
- B) Examine insurance policies and trace to prepaid insurance A/C.
- C) Review any deferred balances for accuracy in accounting.

#### 16. Membership

- A) Verify agreement between subsidiary ledger and general ledger.
- B) Review the transactions for compliance with By-Law and loan documents.
- C) Verify the refunds, if any.

#### 17. Margins and Equities

- A) Test the margin accounts for classification into operating and non-operating margin and then operating margin into the different sub account for the period covered by audit.

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- B) Verify the significant transactions affecting the inappropriate margin accounts.
- C) See that the required authorization is obtained for those transaction.
- D) Determine whether under the terms of the mortgage, reservations of margins are required and if they are, see whether they have been properly recorded.

18. Long term debt

- A) Obtain direct confirmation on the long term debt from BREB.
- B) Reconcile the debt including accumulated deferred interest, with the confirmed statement received from BREB.
- C) Comment on the maintenance of records on long term debt in compliance with the PBS General Accounts Manual.
- D) Verify and comment on loan repayment schedule with loan documents.
- E) Ensure that interest clause is being complied with.

19. Current and Accrued Liabilities

- A) Vouch the accrued liabilities with original bills, invoices and other supporting documents.

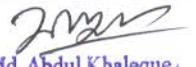
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৬২১ তম বোর্ড সভার অনুমোদিত সিদ্ধান্ত নং ১৯০০

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B)	Examine the tax liability, if any, and other liabilities and see whether those are properly accrued or paid when due.				
C)	Follow up the subsequent payment of the liabilities and check with the recorded liability to detect unrecorded liability, if any.				
D)	Examine the under lying record for maintaining employees welfare and retirement benefit programs.				
E)	Reconcile subsidiary records for current and accrued liabilities with the general ledger control accounts.				
F)	Confirm on test basis directly with the parties concerned.				
G)	Trace posting of subsidiary ledger on test basis.				

## 20. Other Deferred Credits

- A) Vouch the deferred credits.
- B) Examine the circumstances and procedures for creating such credits.
- C) Examine and comment on the subsequent disposition of the credits.
- D) Examine and comment on the deferred debit and provided deferred debit schedule.

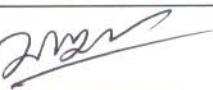
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

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

SL. No.	Particulars	Assigned to	Work done		
			Date Started	Date completed	Initials or the person performed

## 21. Revenues

- A) Test check the operating transaction with sufficient extent of revenue items.
- B) Vouch the bills, notes and contracts of service in connection with the earned revenue.
- C) Verify whether billings to consumers confirm to approved rates schedules for various categories of consumers.
- D) Test billing sources data to consumers' A/Cs.
- E) Examine the non-operating income and determine their nature.
- F) Examine whether all investment income is properly accrued and accounted for.
- G) Make a comparative study of the operations with period/periods and between months within the same period.
- H) Investigate the unusual fluctuation and prepare comment on the same.
- I) Examine that the operating deficit has been properly calculated for obtaining cross subsidy.
- J) Verify that the subsidy sanctioned by the Govt. has been properly accounted for.

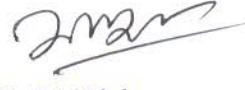
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Revisions : 03/1996, 24/12/2013, 19-02-2020				

  
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৬২১ তম বোর্ড সভায় অনুমোদিত পিকাল নং ১৯৯০০

  
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SL. No.	Particulars	Assigned to	Work done		
			Date Started	Date completed	Initials or the person performed

## 22. Expenses

- A) Vouch the expenses on test basis of both operating expenses and operating expenses of the period under audit with invoice, bills, tenders and other documents etc.
- B) Examine carefully the propriety of the distribution of expenses into different accounts.
- C) Examine the deferred expenses of recurring nature and determine the year's expenses have been properly booked as per prescribed procedures.
- D) Test the payroll procedures and determine the propriety of the distribution of these costs.
- E) Make a general and overall comment on the distribution of the expenses to the proper accounts.

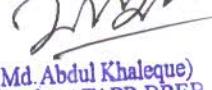
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২২১ অ. বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৯৯০

MANAGEMENT REPORT - SAMPLE1. Loan and interesta) **Loan :**

The book balance of this account was Tk-----against which BREB, in response to our request, confirmed the balance to be Tk----- there being a difference of Tk.----- In course of our verification, we traced out that a good number of debit memos were not booked. It was further observed that some debit memos were not supported by information necessary for booking into accounts.

b) **Interest :**

As per the terms of loan contract with BREB interest will accrue at the rate of 0.75% during the moratorium period. This accrued interest will be capitalized and added with the principal at the end of moratorium period and thereafter interest will be charged @ 3% per annum. But on verification of PBS record, it was found that no interest had been charged to the accounts as a result of which the operation statement has given a distorted margin.

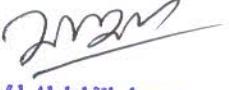
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৮২১ তম বোর্ড সভায় অনুমোদিত সিকাত নং ১৭৭০

  
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2. **Cash:**

a) Collection

In course of verification of cash receipts, cashier's daily collection reports for the month of July, December and June were verified with the 2nd copy of the electric bills, official receipts, paid copy of consumer deposits and membership fees. It was observed that in the cases listed below, cash receipts were not reported in the cashier's daily collection report. The Cash Receipt Journal (CRJs) prepared by the cashier for the month of April were compared with the subsidiary records and it was observed that there was a difference of Tk-----between the two records.

Sl. No.	<u>Date of collection</u>	<u>Particulars</u>	<u>Amount</u>
1)			
2)			
3)			

It is recommended that -

- (a) A proper investigation be conducted to find out the reasons for not showing the cash receipts into the books of accounts and attempts be made to make good the loss from the officials held responsible for the same.
- (b) Reasons for difference between the General Ledger and subsidiary records be found out and the two records reconciled without delay.

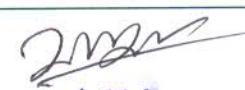
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৬২১ অঞ্চল সভায় অনুমোদিত নিম্নলিখিত নং ১৭৭০০

### Disbursement :

At the time verification of disbursement with the counterfoil of cheques, we observed that a cheque for Tk.----- was issued on against purchase of printed materials but the disbursement was not recorded in the books of accounts.

### Imprest Fund

This account represents the petty cash fund for payment of small expenditure. We physically verified this fund and found it to be intact. During our verification of zonal office and PBS HQ petty cash vouchers on a sample basis, we found that some vouchers had been passed and paid for more than Tk ----- under a single bill which was a violation of PBS instruction 200-13. Examples of such irregularities were found in voucher No. x, date. x for Tk-----, Voucher No. x date x for Tk -----.

### Revenue - Electric

The revenue appearing in the General Ledger for the month of x was verified with reference to sales journal, subsidiary ledger, bill and meter reading books and it was observed that in the following cases bills were prepared for an amount less than the actual consumption.

<u>Sl. No.</u>	<u>Consumer A/c No.</u>	<u>KWH consumed per meter reading book</u>	<u>KWH billed</u>	<u>Difference</u>
1)				
2)				
3)				

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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৯৯০

  
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Besides, in the following cases, bills were issued for the month of x .

<u>Sl. No.</u>	<u>Consumer A/c No.</u>	<u>KWH consumed per meter reading book</u>	<u>KWH billed</u>	<u>Difference</u>
1)				
2)				
3)				

However, on physical verification of those meters it was found that the meters were running and the consumptions were much higher than that of the bill. This shows that the bills were prepared either without reading the meters or with the intention of personal gains.

#### Revenue - other

On verification of sales proceeds, we observed that in the following cases the proceeds were not recorded in the books of accounts:

<u>Sl. No.</u>	<u>Issue Voucher No.</u>	<u>Amount</u>
1)		
2)		
3)		

Again, in the following cases the credit sales were made but not recorded in the accounts and collections were also not followed up properly:

<u>Sl. No.</u>	<u>Particulars</u>	<u>Amount</u>
1)		
2)		
3)		

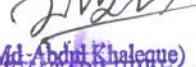
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In course of our examination of the disbursement vouchers on sample basis we have come across a number of irregularities which are listed below :

1. Mr. M had purchased some street light accessories from Dhaka, but later on he submitted the bills for those materials from M/s. X Traders, Jessore. In response to an objection raised by the PBS Finance Section he again submitted a bill in the pad of a shop in Dhaka. Thus it is clear that the above mentioned purchases were made irregularly. (APV, no. X, date - X)
2. Mr. Z had drawn Tk-----in excess of his entitlement in a TA/DA bill by claiming excess rate of D/A and also drew train fare from Dhaka to Jessore though he was ordered to travel by bus. Also no document was submitted in support of his train journey. In this way he had drawn excess amount against this journey. (Ref. APV No. X, date-X) .
3. A transfer TA (Dhaka - Jessore by train) bill was submitted by Mr. Y against which he had drawn Tk-----as freight of X kg of house-hold materials. But he was neither entitled to draw freight for X kg nor did he submit any Railway Receipt to support the transportation of those materials by rail. In this way he had drawn amount (APV No. X date X) in excess of his entitlement.

#### Receivable : Electric

The balance of this account represents the amount of electric bills outstanding as of June 30. As the number of consumer was large, it was difficult to obtain confirmation from the individual consumers. We have observed that the balance as per Accounts Receivable Ledger is Tk-----against the General Ledger balance of Tk----- showing a difference of Tk----- which was not reconciled.

We have also noticed that Tk.....was due from consumer over 90 days and their meters were not disconnected nor appropriate actions taken to realize the receivables.

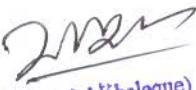
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### Receivable - others :

During the course of our verification, we have observed that accounts receivable amounting to Tk-----against TA/DA advance to Assistant lineman and apprentice lineman was lying outstanding since long. The said defaulters discontinued their service with the PBS, but the management did not take any step to realize the outstanding amount.

### Accounts Payable (BREB)

This account represents the amount payable to BREB. As per PBS Book the balance of this account was Tk-----while in response to our request BREB confirmed the balance to be Tk-----there being a difference of Tk-----. The PBS should move to BREB to reconcile the difference.

### Accounts Payable (Other Electric Utility)

During our verification we have observed that PBS did not record the liability to Other Electric Utility for purchased power. We contacted Other Electric Utility and they confirmed Tk----- as payable to them as on June 30, against three substations. We also observed that KWH billed by Other Electric Utility was abnormally higher than power consumed by PBS consumers, for three substations. Due to this abnormal difference, PBS Management suspected that the substation meters might be defective and as such they requested Other Electric Utility local authority to change the substation meters.

Other Electric Utility authority changed the meter of one substation that resulted in showing reasonable reading which was much less than the prior reading. But meters of other two substations had not yet been changed. So, we could not attach out absolute reliability on readings shown in the Other Electric Utility bills. In view of the position stated above, it is recommended that Other Electric Utility be moved to revise their bills in accordance with the decision of the coordination meeting held between Other Electric Utility and BREB (Power consumed by Other Electric Utility consumer + 13%) and submit the same to PBS for necessary action.

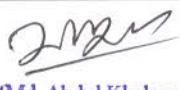
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

#### Stocks and Stores:

The balance of merchandise as per Store Ledger was Tk----- which differs from the General Ledger by Tk -----. We have however, traced out that carrying charge of a motor pump (vide receiving report no. date x) amounting to Tk----- was booked in General Ledger. But the same was not recorded in the Store Ledger.

We observed that an employee of the PBS frequently took delivery of house wiring materials from the store by issuing slips on white papers without mentioning any purpose. Moreover, no register was maintained showing the receipt and issue of those materials, although the quantity of house wiring materials received by CO&M section in this manner was large. But as we could not place any reliability on the use of these materials, it appeared that fraudulent practices might have been adopted in this case.

#### Deferred Debits:

The book balance of this account increased to Tk----- this year from Tk----- of the preceding year and this balance also is lying unclassified since long.

#### Prepayments-Insurance:

The PBS did not maintain any account for prepayment against insurance, and the cost incurred in fidelity coverage was directly booked in various accounts.

We attempted to verify the policies of the property insured but PBS failed to show any document in favor of the vehicle(s) or other properties insured except the fidelity coverage of the employees. The fidelity coverage has however, been verified with Disbursement Voucher Journal and it was also found that no coverage had been procured for the Store-Keeper and the Store-Assistant, although they bear risk of stores.

#### Pre-payments-Others:

The book balance of this account represents the amount given as advance against house rent of collection office. A portion of this amount advanced for office rent had not yet been adjusted although the period expired.

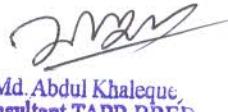
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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

  
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### Fixed Assets

In course of our verification it was found that----- kilometers of overhead distribution line including one substation had been transferred by BREB to the PBS prior to our audit period but the value of those plants had not yet been recorded in PBS books of accounts. In reply to our audit queries it was informed by the management that the PBS did not receive the debit memos from BREB as a result of which the PBS books of accounts could not be made current.

Due to non-booking of the value of assets as mentioned above, depreciation was not adequately charged to the operating account of the PBS. It is recommended that the PBS should take necessary steps to obtain and record value of assets already in service and make adequate provision for depreciation.

### Other liabilities and provisions:

On examination it was found that PBS collected a sum of Tk----- during our audit period for govt. duty on electricity from the various categories of consumers but did not deposit to the Govt. exchequers. We recommend that this should be deposited to the Govt. exchequers immediately in order to set- off the liabilities appearing in accounts.

It was further revealed that the PBS did not provide for the tax liability of its employees for the period under audit as required by PBS instruction 300-31. It is recommended that PBS should comply with the respective PBS instruction.

### Payroll and Personnel System:

The PBS has got an approved salary plan and a service code detailing the personnel policies. In course of our verification it was found that deviations occurred in fixation of pay in the following cases:

<u>S1 No.</u>	<u>Name of employee</u>	<u>Pay entitled as per salary plan</u>	<u>Pay fixed by- PBS</u>	<u>Difference</u>
1)				
2)				
3)				

(Observations should be provided here)

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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭৭০০

We recommend that the irregularities mentioned above be set-right as early as possible and the excess payment made to the employees be recovered.

**Procurement :**

In course of our verification of procurement policies and practices it was observed that the necessary formalities were not followed in the cases cited below :

1. Printing materials worth Tk-----were purchased on different dates within a short interval of time through spot quotations. But there were reasons to believe that the materials could be purchased through open tender and the quantities were split up with the intention of deviating the procurement formalities.

The transaction noted above merits an inquiry for determining the responsibility for this and we also recommend that this sort of splitting up be avoided in future.

**Inventory Control:**

It was observed that the physical control over the handling of stores of the PBS was not adequate. The materials were stacked on the floor of the warehouse scattered. We also noticed that no physical inventory was taken by the management during the period under audit. We therefore, conducted a physical inventory on-----adjusted to 30 June and found a shortage of materials listed below:

Sl.	No.	Particular	Oty. per book	Oty. per physical inventory	Difference
1)					
2)					
3)					

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২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৯৯০

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It is recommended that proper inquiry be conducted to fix-up the responsibility for the said loss and attempts be made to make good the same.

**Consumers Services:**

In course of our verification of the records of the billing section, MS and O& M department, the following types of irregularities were found:

**1. Billing Section:**

Consumer deposits were realized from x member of consumers Three(3) months back but no CMO was issued in their favor.

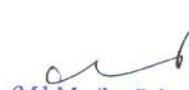
2. In a number of cases house wirings were reported to be complete but no inspection was done. On the other hand, in several other cases inspection was done but no report was submitted. As a result, the PBS is being deprived of revenue earnings on the one hand and the consumers are not getting the facilities on the other hand.
3. In certain cases Customers Meter Orders (CMOs) were issued from one month to (six)6 months back but no meters were installed against the above CMOs.

**Budgetary Control:**

In course of our examination, we observed that in most cases the actual expenditure exceeded the budget allocation. No attempt was made to control the expenditure according to budget nor the appropriate authority moved for sanction of additional amount. On the contrary the actual income was falling behind the budgeted targets but the management did not take proper steps for consumer growth and revenue increase. As a result, the gap between income and expenditure was widening and the situation getting from bad to worse.

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