

BANGLADESH RURAL ELECTRIFICATION BOARD
DHAKA, BANGLADESH

PBS INSTRUCTION 200-19

SUBJECT: BUDGETARY CONTROL

I. PURPOSE:

This instruction sets forth policy and guidelines with respect to the preparation of annual budget of the PBSs, reporting of the budget status and using the budget as a tool to control expenditures.

II. GENERAL:

A budget is a carefully prepared estimate of revenue earnings and expenditures based on the existing performances and conditions of an organization. Budgets are designed to assist management in the planning and co-ordination of the activities of the organization. Smooth operation of an organization and proper financial management to a large extent depend on the efficiency of the management in producing an effective budget.

III. PREPARATION OF BUDGET

Each PBS is required to submit their budget proposal for each financial year to the PBS Loans and Budget Directorate of BREB. In preparing the annual budget, PBS management should follow and consider the following factors, principles and procedures:

A) Factors:

- Estimate of the level of activity should be accurate.
- Direct expenditure in relation to specific operation should be estimated by the personnel having expertise in the relevant operation.

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- Limiting factors, such as non-availability of casual Laborers, possibility of non-cooperation from any consumer, etc.

B) Principles and Procedures:

- Budget proposal is to be submitted in the prescribed Form. The budget Form may be revised from time to time by PBS Loans and Budget Directorate of BREB.
- In support of the amount of salaries, allowances and all other expenses shown in the budget must be supported by appropriate statistics and details that are to be submitted along with the proposed budget.
- In the light of the PBSs' plans and targets, the proposed budget should reflect the efforts of the PBSs to become self sufficient in order to meet all expenses out of its own income by way of increasing the number of consumers, increasing sales, contorting expenditures and reducing system loss. It is to be mentioned that APA/PTA targets agreed upon with BREB should also be reflected in the proposed budget.
- In preparing the budget, provision should be made for payment of interest and principal amount of the loan which become due after the moratorium period in light of the loan procedure established by the Government.
- The existing tariff as approved by the BERC and the expected number of consumers should be considered in preparing the budget.

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- In preparing the capital expenditure budget, the following facts are to be considered:
 - Necessity of each capital items;
 - Present quantities of the item;
 - Budgeted quantities for the item;
 - For whom the item is to be purchased and entitlement of the respective user.

In addition, the circulars issued in this regard from time to time by BREB are to be followed.

- The budget should be proposed on the basis of best possible practical approaches and forecasting in order to avoid the tendency to seek approval for excess allocation after the revised budget is approved.
- Significant difference, if any, between revised budget and actual expenditure of previous year and that between revised budget and proposed budget for next year should be explained in detail with necessary statistics.
- Depreciation as per PBS Instruction 200-21 is to be addressed separately in the budget with calculation sheet.
- Three (3) copies of the budget proposal of the current year in the prescribed Form are to be provided in course of budget discussion meeting held in BREB. The budget form will mainly include the following information/data:
 - i) Item-wise actual expenditures of the last financial year;

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- ii) Item-wise 6 months' expenditures of the budgeted year; (based on actual expenditures for the first five months (July to November) and estimated expenditures of December)
- iii) Approved budget of the budgeted year; (Proposed budget for the last financial year)
- iv) Revised budget for the budgeted year;
- v) Proposed budget for the next financial year;
- In addition, expenses/bills payable in December of current year and all other information in relation to budget is also to be presented in the meeting.
- Budget forms are to be completed duly as per the guidelines of "System for Autonomous Bodies Reporting and Evaluation (SABRE)" and submitted with the proposed budget.
- After discussion on the budget, data of these budget forms are to be revised and reconciled with revenue budget and submitted with the final budget.
- Estimated Operation details (প্রাকলিত পরিচালন বৃত্তান্ত) and Estimated Capital details (প্রাকলিত মূলধন বৃত্তান্ত) should be presented in the form prescribed by SABRE and be enclosed with the final budget.
- Each page of the papers relating to the budget is to be numbered serially.

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Note: For emergent capital work (s), not forecasted before but should be done immediately, the PBS may incur such expenditure under intimation to Director, PBS Monitoring and Management Operation and Director, PBS Loans and Budget of BREB. Such type of expenditure will require post-facto approval of BREB immediately after the work is done with proper justification of each expenditure and due necessary incorporation in the Capital Budget.

The expenditure for emergent capital work (s) should be incurred as per PBS Instruction 300-36 and should not exceed **Tk 5,00,000 (five Lac)** only in a financial Year.

IV. MAINTENANCE OF BUDGET RECORDS

In order to ascertain the budget performances, the PBSs are required to maintain records for comparing the actual income and expenditure with budgeted income and expenditure. For this purpose, each PBS shall maintain a register centrally at Head Office. The register will contain the following information:

- Budgeted head of accounts
- Budgeted amounts under each head of accounts as per approved budget.
- Actual expenditure under each head of accounts as per books and records of the PBSs.

The PBSs should internally allocate the approved budgeted income and expenses among the Head Office and Zonal Office(s). For effective budgetary control, the Headquarter and each Zonal office shall maintain separate budget register.

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V. REPORTING OF BUDGET STATUS

Each PBS shall submit quarterly budget status report to PBS Loans and Budget Directorate of BREB within 10(Ten) days of the end of each quarter. The quarterly reports shall include detailed information as follows:

- a) Budgeted head of accounts.
- b) Budgeted amounts for the reporting year under each head of accounts.
- a) Actual income/expenditure for the quarter under each of accounts and percentage.
- c) Remaining balance and percentage.
- d) Reasons for the variances and courses of action planned are to be mentioned specifically in "Remarks" column.

Budget Status Report is to be submitted in the following form:

Budget Status Report Form

..... PBS

BUDGET STATUS

Period up to

Sl no.	Description	Approved Budget	Income/Expenditure		Remaining balance		Remarks
			Taka	%	Taka	%	

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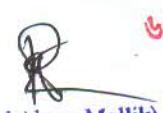

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VI. BUDGET COMMITTEE:

Controller (Finance & Accounts) - Convener
Director, PBS Loans and Budget - Member-Secretary
Director, PBS Monitoring and Management - Member
Operation (Central/North/South/East)
Director, System Operation (Central/North/South) - Member
Director, Finance/ Financial Monitoring - Member
The Committee may nominate and co-opt any resourceful person as member.

VII. CONTROL AND FOLLOW-UP:

In order to achieve the goals and purposes of budgetary control and to make the budgetary control system an effective managerial control tool, the following actions are to be ensured:

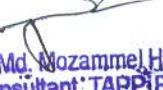
- Evaluation of performances by way of comparison of actual expenditure with budget. Such evaluation on regular basis by the PBS management could produce effective result in ascertaining (a) deviations from expected result (b) reasons for variances (c) controllable variances (d) future course of actions to manage the activities under the purview of the approved budget (e) the areas where budget revisions are required.
- Independent evaluation of performance in respect to the budget by the internal auditors and financial monitoring review by BREB.
- Course of actions planned for control of the costs need to be followed up by the PBS management. In course of follow-up review, if the course of actions proposed to be taken is not found to be effective in producing the desired result, alternative course of actions are to be proposed then.

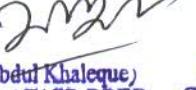
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