



Madhyanchal Vidyut Vitran Nigam  
Limited (MVVNL), Lucknow

Diagnostic Study Report for Updation of Accounts

December 2010

## List of Abbreviations

ATC	Advice for Transfer Credit
ATD	Advice for Transfer Debit
DCAO	Deputy Chief Accounts Officer
DISCOM	Distribution Company
DDO	Drawing and Disbursing Officer
DTTIPL	Deloitte Touche Tohmatsu India Private Limited
EDC	Electricity Distribution Circle
EDD	Electricity Distribution Division
EUDC	Electricity Urban Distribution Circle
EUDD	Electricity Urban Distribution Division
ETD	Electricity Test Division
EUTD	Electricity Urban Test Division
EWC	Electricity Works Circle
EWD	Electricity Works Division
ECC	Electricity Construction Circle
ECE	Electricity Construction Division
GOUP	Government of Uttar Pradesh
HO	Head Office
ICAI	The Institute of Chartered Accountants of India
IPAI	Institute of Public Auditors of India
IUT	Inter Unit Transaction
ISP	Institutional Service Provider
JE	Junior Engineer
KESA	Kanpur Electricity Supply Authority
KESCO	Kanpur Electricity Supply Company
M & R	Maintenance & Repairs
MVVNL	Madhyanchal Vidyut Vitran Nigam Limited
O & M	Operations & Maintenance
UPJVNL	Uttar Pradesh Jal Vidyut Nigam Limited.
UPPCL	Uttar Pradesh Power Corporation Limited

UPRVUL

Uttar Pradesh Rajya Vidyut Utpadan Limited

ZAO

Zonal Accounts Office



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## 1. INTRODUCTION

- 1.1 A High Level Panel (HLP) has been constituted by the Prime Minister (vide Planning Commission letter F. No. I-22/2/32/2010-P&E dated 28.07.2010) to look into the financial problems of the SEBs/ Distribution utilities. One of the key issues to be addressed by the HLP is the current arrear in finalization of accounts by the Distribution Utilities.
- 1.2 In the above context, the HLP has appointed Deloitte Touche Tohmatsu India Private Limited (DTTIPL) to conduct a diagnostic study of two utilities namely, Madhyanchal Vidyut Vitran Nigam Limited (Lucknow DISCOM) and Pashchimanchal Vidyut Vitran Nigam Limited (Meerut DISCOM) to look into the current arrear in preparation finalization of accounts and suggest a work plan / road map for updation of their accounts.

### Scope of Work

- 1.3 The scope of work for the study for each utility covers the following aspects:
- a) Carrying out a Diagnostic study for updating of accounts till 31st March 2010 involving:
    - Status of accounts
    - Identification of key issues / road blocks in completion of accounts
    - Work plan / Road map for updation of accounts upto the year 2009-10 in consultation with respective utility
  - b) Preparation of an initial questionnaire to facilitate carrying out diagnostic study
  - c) Visit the utilities for ensuring the submission of required information by the utilities
  - d) Visit to utilities periodically to oversee the progress of the work (by telephone, e-mail, etc. and upto 2 visits of upto 2 days each during the entire engagement period upto December 2010/January 2011).
  - e) Ascertain the overall status of computerization of financial accounting systems in the utilities and the steps being taken by the utilities for preparing the organization for implementation of IFRS applicable from FY 2011-12.
- 1.4 The deliverables from the study for each utility are as under:
- a) A questionnaire to facilitate carrying out the diagnostic study
  - b) A Diagnostic Report covering the following:-
    1. Status of accounts, issues / road blocks in completion of accounts and work plan / road map for updation of accounts upto the year 2009-10
    2. Status of finalization of accounts
    3. Overall status of computerization in the utilities of financial accounting systems and also a list of preliminary steps to be taken by the utilities for preparing the organization for implementation of IFRS applicable from FY 2011-12.
- 1.5 The above study is to be carried out in association with Institutional Service Providers (ISP).

### **Coverage of this Report**

- 1.6 DTTIPL has completed the field visits and diagnostic study for both the utilities. In line with scope of the work, this report covers the following aspects in respect of Madhyanchal Vidyut Vitran Nigam Limited (MVVNL):-
- a) An overview of MVVNL
  - b) Approach and Methodology followed by DTTIPL
  - c) Current status on accounts
  - d) Identification of key issues / road blocks in completion of accounts
  - e) Tentative Work plan / Road map for updation of accounts upto the financial year 2009-10
  - f) Other aspects – status on computerization and initiatives if any taken for implementation of IFRS

### **Next Step**

- 1.7 DTTIPL is submitting this Report simultaneously to MVVNL and the HLP. Based on the response received, DTTIPL has finalized this Report.

## **2. APPROACH & METHODOLOGY**

2.1 This chapter provides the approach and methodology followed by DTTIPL to carry out the diagnostic study.

### **Key objective of the study**

2.2 The prime objective of the study is to draw a road map to clear the backlog in the preparation of accounts of MVVNL upto the financial year 2009-10. Accordingly, the backlog in annual audited accounts for the years upto 2009-10 should be cleared and simultaneously the accounts for the year 2010-11 should be audited in time (i.e. by September 2011).

### **Approach and Methodology**

2.3 The approach and methodology adopted by DTTIPL to carry out the study involves the following main steps:

- Preparation of an initial questionnaire
- Field Visit to the utility
- Analysis of existing situation and identifying key issues / road blocks in completion of accounts
- Based on the above, drawing a tentative work plan / road map for updation of accounts upto the year 2009-10
- Closing meeting / discussion with the Head of Finance at the end of the field visit to discuss the DTTIPL observations and recommendations.

2.4 Throughout the field visit, DTTIPL coordinated with the ISP's officials, took their inputs/ support into account while developing the road map.

2.5 DTTIPL prepared an initial questionnaire to gather the primary information regarding the status of accounts preparation as on date (refer to Annexure 1). The questionnaire covered the following aspects:

- Details of the present accounting set up
- Present accounting system
- Status of computerization of accounts
- System of internal audit
- Status on accounts preparation and audit
- Status on compilation / consolidation of annual accounts at HO
- Status on compilation / consolidation of accounts at Zones
- Status on preparation of accounts by field offices/ accounting units
- Key issues / constraints faced in timely preparation of annual accounts / expediting clearance of backlog in preparation of annual accounts
- Reasons for delay in finalization of accounts

- 2.6 The above initial information was compiled by MVVNL with the assistance of ISP. DTTIPL studied the initial information prior to making the field visit to have focused discussions with MVVNL.
- 2.7 Thereafter field visit was undertaken and commenced with a kick off meeting with the Head of Accounts function and other key officials at the head office. The objective of this meeting was to obtain an overall understanding of the following aspects:-
- An overview of the organization and accounting set up
  - Preliminary discussions of the information provided as per the questionnaire, accounts status and key issues
  - Preparation of work plan for the field visits
- 2.8 Based on the above work plan, DTTIPL met the concerned key officials at select offices as under:-
- Head Office – Compilation and Accounts Department / Section
  - Zone - Compilation and Accounts Department / Section
  - Circle / Division/ Sub Division
  - In addition, DTTIPL met the statutory auditors both at Branch and HO and also then CAG Team
- 2.9 The main objectives of the above meetings were to:
- Walk through the current accounting process of preparation for books of accounts, compilation of monthly and annual accounts and the audit process, covering the following aspects:
    - ◆ Preparation of books of accounts by accounting units
    - ◆ Compilation of Accounts by Divisions
    - ◆ Compilation of Accounts by Zones
    - ◆ Branch Audit
    - ◆ Compilation of Accounts by HO
    - ◆ Approval of accounts by Board
    - ◆ Statutory Audit
    - ◆ CAG Audit
    - ◆ Adoption of Accounts by AGM
  - Understand in detail the current status on the compilation of accounts and audit
  - Understand and discuss the key issues involved / constraints faced in timely preparation of accounts and audit thereof

- Conduct of the status analysis. This also covered understanding the target dates already given by MVVNL in the checklist and the assumptions behind it. This helped in re-defining the time frame.
- Arrive at practicable and implementable road map including time frame, responsibility and actions required

2.10 The above discussions also included ascertaining the status on computerization of accounts and IFRS.

#### List of Officials met

2.11 The list of officers and the auditors of MVVNL met / consulted by DTTIPL for the diagnostic study are provided in the Table 2.1 below.

**Table 1: List of Officials met**

S No.	Offices/ Stakeholders	People met / consulted
1.	Head Quarters, Madhyanchal	Mr. Parthi Sarthi Sen Sharma, Managing Director Mr. Ram Sajeevam – General Manager (Finance and Accounts) Mr. Anand Kumar Porwal – Accountant Deputy Chief Accounts Officer of LESA, Lucknow and Bareilly zones Mr. Sanjay Sharma – Accountant, Faizabad Zone Mr. B S Goel, Ex-GM(Finance), Madhyanchal and author of Accounting Rules and Procedures for U.P. Power Companies Mr. S K Saxena - Briefed on Computerization of Distribution Utilities
2.	LESA Zone	Mr. Mukesh Gupta, Zonal Accountant
3.	Division (Works), Barabanki	Mr. Sunil Kumar - Executive Engineer Mr. Bilal – Divisional Accountant (Works) Mr. Faheem Ahmed Siddique – Divisional Accountant (Revenue) Mr. P N Sharma – Section Holder (Junior Engineer) Mr. Sanjay Sharma – Div. Accountant, Faizabad Zone
4.	Division, Janakipuram, LESA Zone	Mr. Mukesh Gupta, Divisions Accountant (Revenue) Mr. A K Srivastava, Divisional Accountant, Division – Baksi-Ka-Talab Mr. G P Singh, Junior Engineer
5.	Division, Baksi-Ka-Talab, LESA Zone	Mr. Suresh Chandra, Division Accountant (Works)
6.	Sub – Division Store, Barabanki	Mr. M P Singh – Asst. Engineer, Sub-Store Mr. Lovlesh Gupta (Store -in-charge)

S No.	Offices/ Stakeholders	People met / consulted
7.	Telephonic Discussions with Branch Auditors	Mr. Sharad Mishra , M/s. Sharad Mishra & Co. Mr. Manish Agarwal, M/s. S. K. Associates & Co. Mr. Abhinav Khanna, M/s. Thakkar & Co. Mr. Rahul Gupta, M/s. Nripendra & Co.
8.	Telephonic Discussions with Statutory Auditors	Mr. V. C. Jain, M/s. R. K. Chari & Co., Chartered Accountants
9.	Accountant General's (AG) Office, Kendriya Bhawan, Lucknow	Mr. Saxena and his team at AG Office, Kendriya Bhawan, Lucknow

### **3. AN OVERVIEW OF MVVNL AND ACCOUNTING FUNCTION**

3.1 This chapter provides a brief background of creation of MVVNL, the broad organization structure of MVVNL accounts and an overview of the existing process for preparation of accounts.

#### **Creation of MVVNL**

3.2 In pursuance of power sector reforms undertaken by the Government of Uttar Pradesh (GOUP), the Uttar Pradesh State Electricity Board (UPSEB) was unbundled under the first reforms transfer scheme dated 14th January 2000, into three separate legal entities as under:

- a) Uttar Pradesh Power Corporation Limited (UPPCL) – vested with the function of Transmission and Distribution within the State.
- b) Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL) – vested with the function of Thermal Generation within the State
- c) Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL) – vested with the function of Hydro Generation within the State.

3.3 Further through another Transfer Scheme dated 15th January, 2000, the assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company (KESCO), a company registered under the Companies Act, 1956.

3.4 In pursuance of further unbundling of Uttar Pradesh Power Corporation Limited (UPPCL) which was responsible for both Transmission and Distribution functions along functional lines after the enactment of the Electricity Act 2003, the following four distribution companies (“DISCOMS”) were created through Uttar Pradesh Transfer of Distribution Undertaking Scheme 2003 during the month of July 2003 -

- a) Madhyanchal Vidyut Vitran Nigam Limited (Lucknow DISCOM)
- b) Pashchimanchal Vidyut Vitran Nigam Limited (Meerut DISCOM)
- c) Dakshinanchal Vidyut Vitran Nigam Limited (Agra DISCOM) and
- d) Poorvanchal Vidyut Vitran Nigam Limited (Varanasi DISCOM)

#### **About MVVNL**

3.5 Madhyanchal Vidyut Vitran Nigam Ltd. (MVVNL) is a company incorporated under the Companies Act, 1956 for carrying out the business of distribution of electricity within its defined area of Supply. MVVNL started functioning as an independent distribution company in July 2003 as an undertaking of Uttar Pradesh State Government and a subsidiary company of UPPCL. The area of supply include the districts of Budaun, Bareilly, Pilibhit, Shahjahanpur, Lakhimpur, Hardoi, Sitapur, Unnao, Bahraich, Shrawasti, Balrampur, Gonda, Barabanki, Rae Bareli, Faizabad, Sultanpur, Ambedkarnagar and Lucknow.

3.6 MVVNL catered to 26,97,187 consumers having connected load of 5,437 MW consuming 7,777 MU and had annual turnover of Rs. 2,336 Crores (unaudited) as on 31st March 2009.

3.7 The company has been divided into four distribution zones - LESA zone, Lucknow zone, Faizabad zone and Bareilly zone.

### MVVNL's Brief Financials

3.8 A snapshot of Madhyanchal Vidyut Vitran Nigam Ltd.'s financials is given below.

<b>Balance Sheet</b>					
<b>Sources of Funds</b>	<b>Rs. in lakhs</b>				
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07*</b>	<b>2007-08**</b>	<b>2008-09***</b>
Shareholders' funds	66,117	87,599	153,995	214,113	207,285
Loan funds	71,761	100,191	116,603	93,910	165,002
<b>Total</b>	<b>137,878</b>	<b>187,780</b>	<b>270,598</b>	<b>308,023</b>	<b>372,287</b>
<b>Application of Funds</b>					
Fixed Assets	114,045	129,826	207,957	218,602	244,881
Net Current Assets	(19,602)	(40,020)	(109,153)	(159,710)	(209,389)
Preliminary Expenses	120	80	40	0	0
P & L Account –Debit	43,315	97,904	171,754	249,131	336,795
<b>Total</b>	<b>137,878</b>	<b>187,780</b>	<b>270,598</b>	<b>308,023</b>	<b>372,287</b>
<b>Particulars</b>					
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
Revenue Receipts	145,740	164,426	176,198	208,285	233,597
Revenue Expenditure	182,735	218,785	249,650	285,396	310,065
Surplus/ (Deficit)	(36,995)	(54,359)	(73,452)	(77,111)	(76,468)

\* Pending approval in AGM

\*\* Unaudited figures approved by Board of Directors

\*\*\* Based on Provisional Accounts.

### Relationship of MVVNL with UPPCL (Holding Company)

3.9 The key transactions carried out among UPPCL as holding company and its subsidiary distribution companies (including MVVNL) are as under:-

- UPPCL receives funds centrally in respect of the government schemes (both from central government and state government) and other capital receipts. Funds received for the government schemes are allotted as equity (RGGY, APDRP scheme, Dr. Ambedkar Gram Sabha Vikas Yojana etc.), capital grants (PTW and DHS grants etc.) and subsidies (Revenue subsidy, interest assistance etc.) to the DISCOMS.
- UPPCL procures power centrally for its subsidiaries (i.e. DISCOMS).
- MVVNL remits entire revenue from sale of power to UPPCL

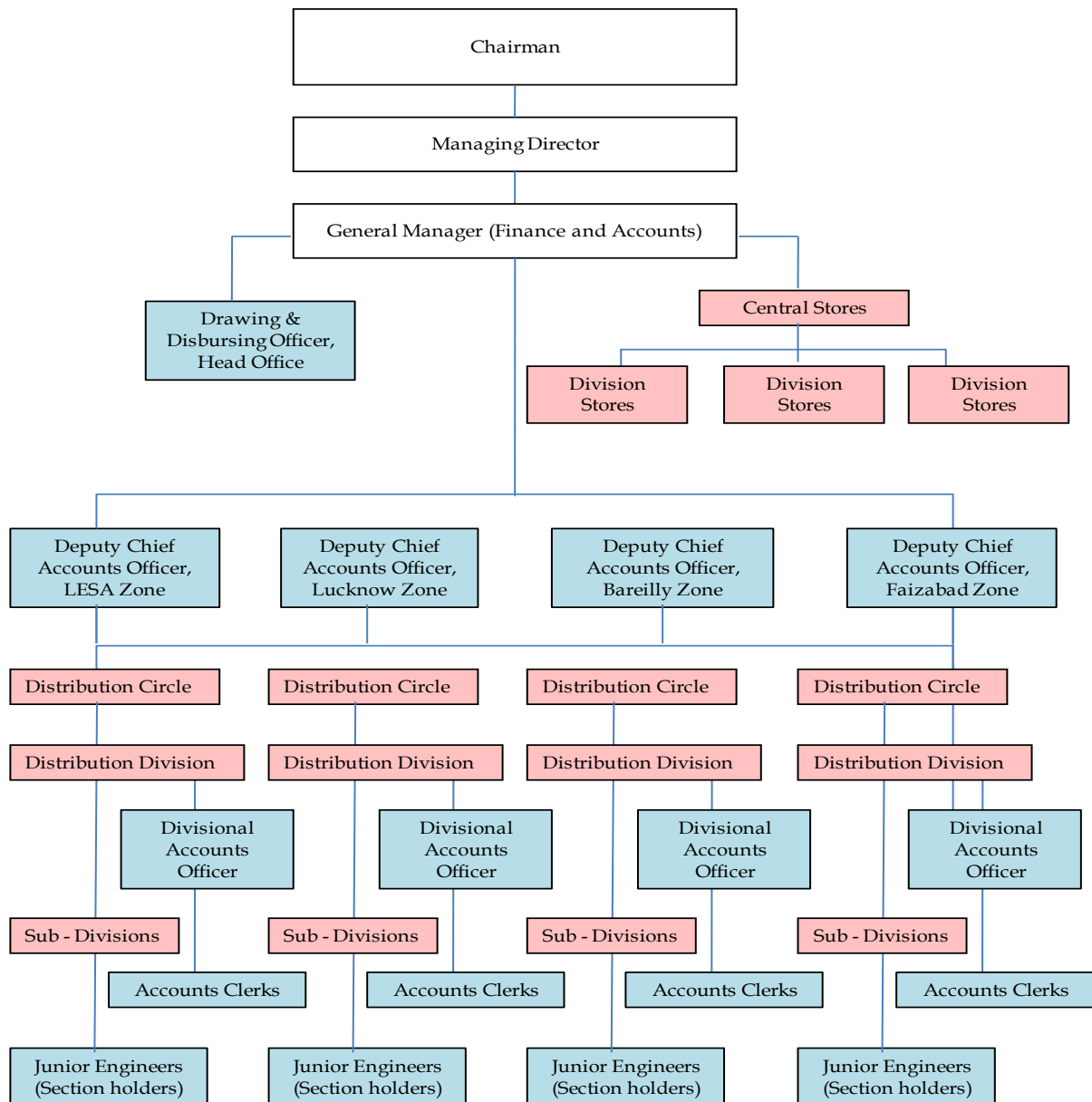


- UPPCL disburses salaries and wages, employee loans and advances (for employees belonging to distribution companies) on behalf of the subsidiary companies

**Overview of Accounting Function**

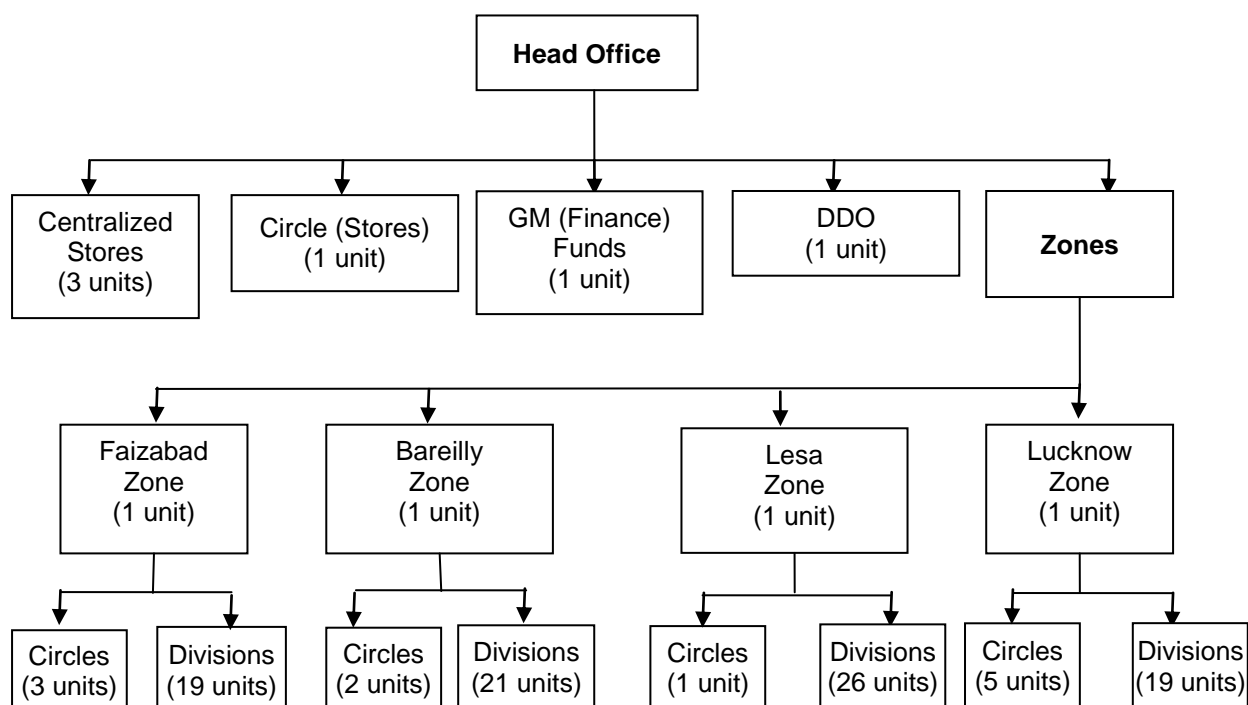
3.10 The General Manager (Finance & Accounts) heads the accounting function of the company. The accounting function in the organization is carried out by various accounting units/ field offices.

**Exhibit 1: Organization Structure of MVVNL (Accounting function only)**



3.11 The hierarchy of various accounting units in MVVNL is given in Exhibit 3.2 as below.

**Exhibit 2: Hierarchy of Accounting Units in Madhyanchal Vidyut Vitran Nigam Ltd. (MVVNL)**



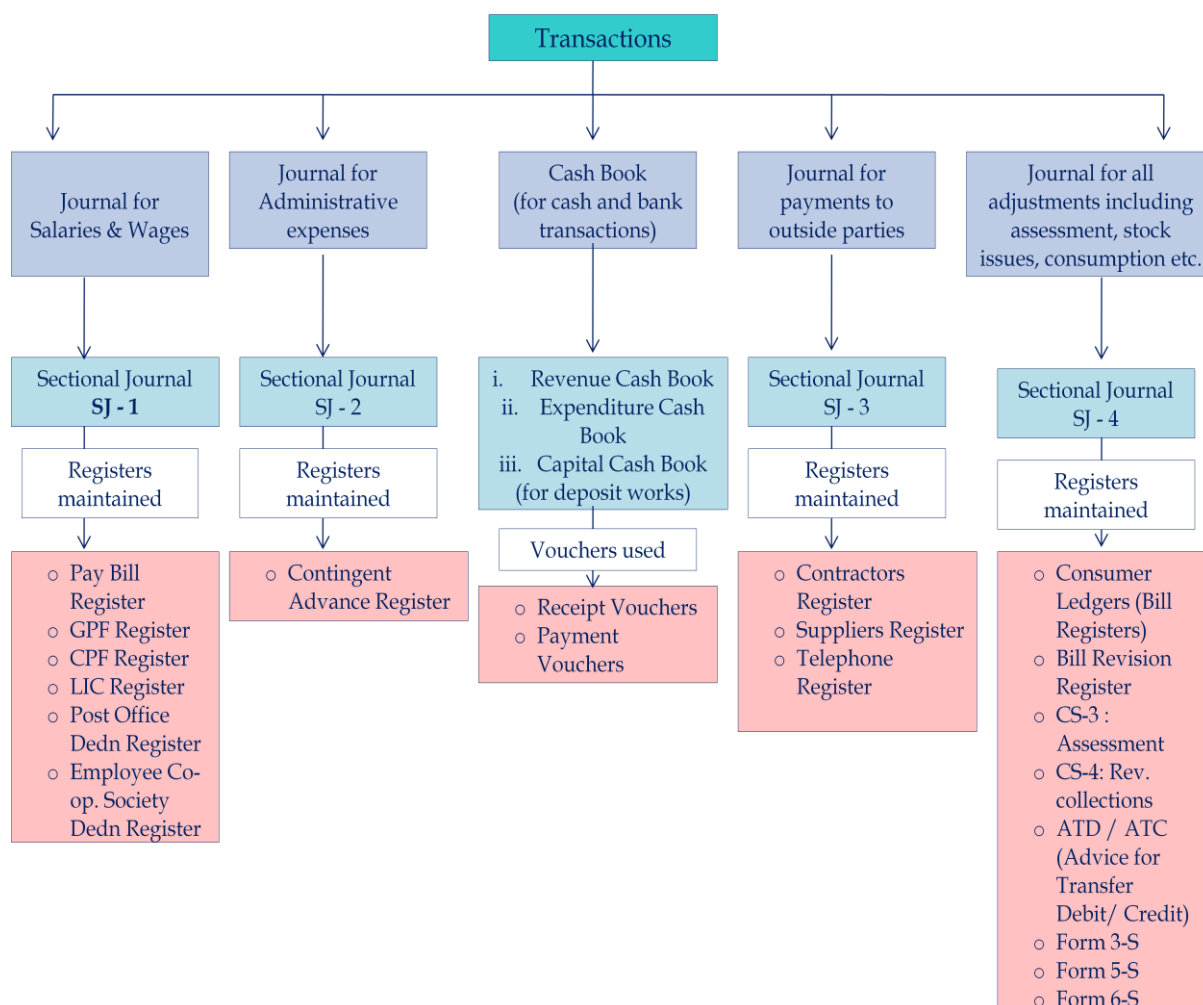
3.12 In total there are 106 accounting units in MVVNL comprising of the Head Office, Zonal Offices, Circles (including one Circle Stores) and Divisions (including three Division Stores). The Sub divisions attached to the Division are not a separate accounting unit. However stock register is maintained at the Sub-division level.

**Accounting Process**

3.13 The accounting process for preparation of books of accounts and audit includes the following in this order:-

- Preparation of primary books of accounts by accounting units
- Compilation of Accounts by Divisions
- Compilation of Accounts by Zones
- Branch Audit
- Compilation of Accounts by HO
- Approval of accounts by Board
- Statutory Audit
- CAG Audit
- Adoption of Accounts by AGM

3.14 The books of accounts and registers maintained by MVVNL are depicted in Exhibit 3.3 below:-

**Exhibit 3: Book of accounts maintained by MVVNL**

3.15 The key books of accounts maintain by each of the accounting unit are as follows:

Register	Record for transactions
Sectional Journal 1 (SJ 1)	For keeping records of Establishment expenses
Sectional Journal 2 (SJ 2)	For keeping records of Contingent Advances
Sectional Journal 3 (SJ 3)	For keeping records of transaction related to outside agencies such as suppliers, contractors
Sectional Journal 4 (SJ 4)	For adjustment entries (related to stock issuance and returns, adjustments of wrong bookings and rectifications)  There is a requirement of maintenance of Stock Register at the Sub-Division level for recording issuance of materials from Stores and Return of Materials to Stores. Junior Engineer (JE) maintains the Stock Register and submits it to the Executive Engineer of the concerned Division. Accountant at Division level compiles the entries in SJ 4 from the Stock Register.

Register	Record for transactions
Cash Book / Bank Book	For recording cash and bank transactions
Consolidation Register	For consolidation of transactions of SJ1, SJ 2, SJ 3 & SJ 4 and Cash Book
Monthly Trial Balance (MTB)	For submission to their respective Zones

### Process of Compilation of Accounts

3.16 The flow of activities and various steps involved in the accounts compilation are as under:

- Division accounts and Circle accounts are prepared and submitted to respective Zones. They submit their monthly trial balances (MTB) to the Zones and in some cases directly to the headquarters (Stores Divisions/Store Circle and headquarters' own drawing and disbursing officer).
- Zonal accounts are prepared by consolidating the MTBs as received above and are then submitted to Branch Auditor for audit. These include the consolidated accounts of accounting units including Divisions/Circles coming under the respective Zone.
- After the Branch Audit is done, Zonal accounts are finalized and submitted to HO. HO receives 4 accounts from four zones, 4 accounts from stores divisions/store circle and one from its own drawing and disbursing officer.
- Head Office maintains its own accounts and all records. It carries out the compilation of overall accounts on a monthly basis for all accounting units. At the end of the financial year, final accounts of the entire company are prepared by HO. This includes the consolidated accounts of HO along with all other accounting units as under:
  - ◆ Three centralized stores
  - ◆ Circle (Stores)
  - ◆ Zonal Accounting Units
  - ◆ Drawing & Disbursement Office (DDO) within the HO
- After merging its own transactions (fund transfers to the divisions and from the holding company) therein and making adjustments for interest on loans, power purchase and certain other provisions, the head office prepares the consolidated monthly trial balance. This contains all the figures required for the preparation of the Profit and Loss Account and the Balance Sheet. These are further subject to reconciliation of inter-company transfers between the Holding Company and other DISCOMS, adjustments of power purchase, grants, subsidies and provision for interest payable on loans, if any.
- After the finalization of annual accounts, it is approved by the Board of Directors.

- The Statutory Auditors usually start the work of statutory audit after they have received the Branch Audit Reports but before the accounts are approved by the Board.
- The approved final accounts are submitted to Statutory Auditors before the completion of statutory audit who submit their audit report to the shareholders.
- CAG audit takes place after the Statutory Auditor's report is submitted to CAG's office.
- Finally the adoption and approval of audited accounts is done at the Annual General Meeting of the shareholders.

*(Please refer to Annexure 2 for certain aspects of accounting)*

### **Status on Computerization of Accounts**

3.17 The present overall status of computerization in MVVNL is as given below:

- Revenue Billing is outsourced and computerized. Revenue collections are updated in this system.
- Preparation of Monthly Trial Balances and their consolidation at zones have been outsourced and the Consolidation Registers are printed in the computer output reports for the consolidation of monthly trial balances zone-wise, circle-wise, division-wise and unit-wise.
- All other activities including accounts preparation are done manually.

#### 4. CURRENT STATUS OF ACCOUNTS PREPARATION

4.1 This chapter discusses the current status of preparation and finalization of accounts as also the target dates as planned by MVVNL for completion of accounts in arrears.

##### Current status

4.2 The annual audited accounts upto the accounting year 2005-06 have been audited and adopted in the AGM. The accounts for the year 2006-07 are pending adoption in the AGM and the accounts for the subsequent years i.e. 2007-08 onwards are pending at various stages of completion. The overall status of accounts from the year 2006-07 till 2009-10 along with the plan for completion as made by MVVNL (as per the filled checklist provided to DTTIPL) for completion are provided in the Table given below:

**Table 2: Present Status of Accounts Preparation**

S. No.	Activities	Financial Year			
		2006-07	2007-08	2008-09	2009-10
1.	Completion of Primary Books of accounts:				
	Submission of Form 1 S (Stores Receipt) and Form 1 S (Stores Issues) by Junior Engineers	Complete	Complete	Complete*	In arrears; Not planned
	Updation of recording stock adjustments and Closure of Adjustment Register (SJ-4)	Complete	Complete	Complete*	In arrears; Not planned
2.	Compilation of Monthly Trial Balances:				
	Consolidation Registers and Monthly Trial Balances at accounting units	Complete	Complete	Complete	In arrears; Planned for Jan 31, 2012
	Supplementary Trial Balance at the year end	Complete	Complete	In arrears; Some divisions of Faizabad Zone	In arrears; Not planned
	Consolidation Registers at Zones	Complete	Complete	Complete	Not complete; Planned for Feb 29, 2012
3.	Branch Audit of Zonal Accounts	Complete	Complete	In progress; Planned for Dec. 07, 2010*	Not started; Not planned

S.	Activities	Financial Year			
4.	Preparation of Annual Accounts at HO				
	Consolidation Registers at Head Office	Complete	Complete	Not complete; Planned for Dec. 15, 2010*	Not done; Planned for July 31, 2012
	Inter-company reconciliation entries and preparation of provisional accounts	Complete	Complete	Provisional; Complete by Dec.15, 2010*	Not done; Planned for July 31, 2012
	Preparation of Unaudited Accounts	Complete	Complete	Not complete; Planned for Dec. 25, 2010*	Not complete; Not planned
	Adoption of final accounts by Board of Directors u/s Sec 215 (3) Cos' Act, 1956	Complete	Adopted on 27th Oct 10	Not done; Not planned	Not done; Not planned
5.	Completion of Statutory Audit u/s 619 (3) (a)	Complete	In progress. Expected to complete by 30th Nov 10 / First week of Dec 2010	Planned for Oct.31, 2011	Not done; Not planned
6.	CAG Audit:				
	CAG Supplementary Audit u/s 619 (3) (b)	Complete	Not started; Planned for April 30, 2011 as per checklist	Not done; Planned for March 31, 2012	Not done; Not planned
	Receipt of Draft Comments and Reply	Complete	Not done; Not planned	Not done; Not planned	Not done; Not planned
	Receipt of Final Comments from CAG	Complete	Not done; Not planned	Not done; Not planned	Not done; Not planned
7.	Approval and adoption of audited accounts at Annual General Meeting	Not done **	Not done; Not planned	Not done; Not planned	Not done; Not planned
8.	Completion of Internal Audit	Complete	Complete	Complete	Not started; Not planned

\* Target dates as per verbal discussions

\*\* Proposed date for adoption of audited accounts for 2006-07 in Annual General Meeting is 12<sup>th</sup> Nov. 2010.

\*\*\* The preparation of books of accounts for the year 2009-10 is not yet complete. The key accounting activities that are still to be taken up are:

- Submission of Form 1 S (Stores Receipt) and Form 1 S (Stores Issues) by Junior Engineers
- Updation of recording stock adjustments and Closure of Adjustment Register (SJ-4)

*As per the accounting process followed by MVVNL, until the updation of recording stock adjustments and closure of Adjustment Register (SJ-4), the stores issued during the year will continue to be shown under the Stock Account and the final Capital Work Account/ Fixed Assets / Operation and Maintenance Accounts would not get debited. Hence in the absence of the SJ-4 adjustment, the accounts will be materially incomplete and will not show a true and fair status. Thus this activity is very important for completion of accounts.*

*(Please refer to Annexure 3 for details status on preparation and submission of Monthly Accounts by the Divisions/ Zones for the year 2009-10)*

4.3 Based on the above it emerges that submission of monthly accounts by the Division Accounting Units to the Zones for the year 2009-10 is in arrear for a period ranging between 1 to 6 months.

#### **Status on Branch and Statutory Audits**

4.4 DTTIPL had discussions with the branch auditors, statutory auditors and CAG officials to understand the current status on audit and their views on delay in finalization of accounts. The key issues that emerge during the discussion are as under:-

4.5 The Branch Auditors have been appointed for year 2008-09 and the branch audit is in progress. The branch auditors are appointed by the CAG for each Zone separately. The statutory auditors have been appointed for three years 2007-08, 2008-09 and 2009-10. The statutory auditors are also appointed by the CAG.

4.6 The main reasons cited by the Branch and Statutory Auditors that generally lead to delay in conduct and completion of audit are provided as under:

- Submission of accounts by Zones is generally delayed leading to delay in completion of branch audit.
- Several changes are made by the Zones in the accounts during the conduct of audit requiring re-checking by the auditors.
- Delay in accounting/ reconciliation of inter unit transfers (within divisions and zones) of materials.
- At times late coming of staff delays the auditors work.
- There is need to appoint a coordinator to facilitate the audit work.
- Departmental circular should be issued before the commencement of audit so that staff is prepared for audit work.



4.7 The main reasons for delay in completion of CAG Audit and adoption of accounts in AGM are provided as under:

- Delay in providing accounts by MVVNL after the audit team approaches MVVNL Management
- Delay in providing responses to the CAG queries
- Delay in organizing AGM by MVVNL. This is due to the reason that MVVNL does not have any post for Company Secretary on a regular basis. Presently, there is only one Company Secretary, who is handling secretarial work of UPPCL as well as all DISCOMS, RVUNL, KESCO, UPPTC, and UCM Coal Ltd.

*Please refer to Annexure 4 for details of discussion with branch auditors, statutory auditors and CAG team.*

#### **Summary of Overall Status / Plan for Completion of Accounts by MVVNL**

4.8 Based on the above, the overall current status and plan as per MVVNL for preparation of accounts upto the year 2009-10 emerge as follows:

Year	Overall Status
Accounts for the year 2006-07	<ul style="list-style-type: none"> <li>■ The accounts for the year 2006-07 have been audited and are pending adoption in the AGM.</li> <li>■ As on the date of the field visit, MVVNL had planned to adopt the accounts in the AGM to be held in November 2010.</li> </ul>
Accounts for the year 2007-08	<ul style="list-style-type: none"> <li>■ The accounts for the year 2007-08 have been approved by the Board of Directors (BoD) of MVVNL and the statutory audit is still in progress, and is expected to be completed by December 2010.</li> <li>■ The CAG audit is yet to commence. It is expected to be completed by April 30, 2011, as planned by MVVNL.</li> <li>■ The subsequent activities to finalize the audit and accounts adoption process shall be planned after the completion of CAG audit.</li> </ul>
Accounts for the year 2008-09	<ul style="list-style-type: none"> <li>■ The completion of accounts for the year 2008-09 are still at the Zonal level and the Branch Audit is still in progress and is expected to be completed by December 7, 2010, as planned (as per the checklist provided) by MVVNL.</li> <li>■ The consolidation of accounts and preparation of unaudited accounts at HO level are expected to be completed by December end, 2010 as planned by MVVNL.</li> <li>■ The statutory audit for year 2008-09 is yet to commence.</li> <li>■ Since the CAG audit of the year 2007-08 is expected to be completed by the April 2011, MVVNL has planned</li> </ul>

Year	Overall Status
	to complete the statutory audit for the year 2008-09 by October 2011 and CAG audit by March 2012 only.
Accounts for the year 2009-10	<ul style="list-style-type: none"> <li>■ The preparation of books of accounts for the year 2009-10 is not yet complete. The key accounting activities which are still to be taken up are as under:- <ul style="list-style-type: none"> <li>◆ Submission of Form 1 S (Stores Receipt) and Form 1 S (Stores Issues) by Junior Engineers</li> <li>◆ Updation of recording stock adjustments and Closure of Adjustment Register (SJ-4)</li> </ul> </li> <li>■ As per the accounting process followed by MVVNL, until the updation of recording stock adjustments and Closure of Adjustment Register (SJ-4), the stores issued during the year will continue to show under the Stock Account and the final Capital Work Account/ Fixed Assets / Operation and Maintenance Accounts would not get debited. Hence in the absence of the SJ-4 adjustment, the accounts will be materially incomplete and will not show a true and fair status. Thus this activity is very important for completion of accounts.</li> <li>■ The consolidation of accounts at Zonal level is planned only by March 2012, by which time the accounts for the year 2008-09 are expected to be completed. The branch audit will be planned only after this activity is done.</li> <li>■ The consolidation of accounts at HO level, statutory audit and CAG audit are yet to be planned.</li> </ul>
Accounts for the year 2010-11	<ul style="list-style-type: none"> <li>■ The accounts for the year 2010-11 are still in the stage of preparation at the field level and are likely to remain in arrear for next 2-3 years going by the above status on the accounts of previous years.</li> </ul>

## 5. KEY ISSUES / ROAD BLOCKS IN COMPLETION OF ACCOUNTS

5.1 This chapter provides the key issues / road blocks in completion of accounts for the year upto 2009-10 based on the following:

- Study/ review and analysis of the overall accounting structure and accounting process followed in MVVNL
- Current status on preparation of accounts and discussions held with the MVVNL's officials
- Discussions with the Branch/ Statutory and CAG auditors described in the previous chapters.

5.2 The key issues / road blocks in clearing of arrears in accounts are summarized below:

S. No.	Description of the Issue / Road Block	Actions Required by MVVNL
1.	<p><u>Delay in Preparation of Accounts at Divisions level – monthly stock adjustments in the Adjustment Register (SJ 4), Pending for the year since 2009-10</u></p> <p>Delay in submission of monthly abstracts by Section holders (Junior Engineers in charge of Sections) in Form 1 S (Stores Receipts) and Form 1 S (Stores Issues) who are required to prepare the monthly Form 5 S (Stores Receipts with values) and Form 6 S (Stores Issues with values) to record the monthly stock adjustments in the Adjustment Register (SJ 4)</p> <p>The above activity is not completed even much after the accounting year is over. At present this activity is yet to be completed since for the year 2009-10.</p> <p>As mentioned earlier, in line with accounting process followed by MVVNL, until the updation of recording stock adjustments and Closure of Adjustment Register (SJ-4), the stores issued during the year will continue to show under the Stock Account and the final Capital Work Account/ Fixed Assets / Operation and Maintenance Accounts would not get debited. Hence in the absence of the SJ-4 adjustment, the accounts will be</p>	<p>This issue requires administrative action at the highest level of MVVNL's management to clear the backlog. MVVNL should attempt to clear the SJ-4 stock adjustment for all the pending years (i.e. 2009-10 till date) simultaneously.</p> <p>Clear directions by the Management (Director /Chief Engineer) should be issued to the Junior Engineers to submit their pending returns for the year 2009-10 say within next 1 month (i.e. December 31, 2010) strictly with no time extensions and for the year 2010-11 by April 30, 2011.</p> <p>In order to facilitate the above one time clearance of arrear, a Task Force / Monitoring Cell may be set up at the Division / Zonal and HO level to monitor this task. The constitution of the above Task Force is explained in Chapter 6 Para 4.</p> <p>If required MVVNL can take the help of external/ internal auditors/ ISP at Division level for this on one time backlog clearance.</p> <p>For future, MVVNL should relook at the current accounting practice and evaluate the option of charging the final head of expenditure based on the stores issues instead of waiting for the concerned JE to render their accounts. The</p>

S. No.	Description of the Issue / Road Block	Actions Required by MVVNL
	<p>materially incomplete and will not show a true and fair status. Thus this activity is very important for completion of accounts.</p> <p>Based on discussions with MVVNL, it is understood that the delay may be attributed to the following factors/ reasons (DTTIPL has not independently verified these reasons) :</p> <ul style="list-style-type: none"> <li>■ Works under various Government Schemes which are recorded as completed projects during the financial year may get carried out even after the reported completion time. Hence, the records of section holders Form 1S and 2S as well as the Adjustment Register (SJ 4) are kept open for recording such works in the previous period.</li> <li>■ Urgent field works are completed with the support of contractors. Lengthy tendering processes have to be followed for issuance of work orders in their names. Until the issuance of work orders, accounts are not closed to record such works. This practice results in delays in submission of monthly returns for consumption of stores by Section holders.</li> <li>■ There are inadequate number of Junior Engineers due to non replacement of retired JEs and lack of training to newly recruited technical staff.</li> <li>■ Technical staff generally gives less priority to submission of monthly returns. The account team does not have administrative control over</li> </ul>	<p>control and accounting over the unconsumed stores at sight (in JE's hand) at the year-end may be handled and treated separately.</p>

S. No.	Description of the Issue / Road Block	Actions Required by MVVNL
	<p>Section holders (JEs) as technical staffs are controlled by Divisional Executive Engineers.</p> <ul style="list-style-type: none"> <li>■ There is a practice of updating stock registers only on completion of site works. This results in delay in updation of stock registers.</li> <li>■ There is a lack of monitoring/ MIS the timely submission of stock returns at the management level.</li> </ul> <p>The Divisions stated that they could compile the monthly trial balances in not more than a week's time, if the Junior Engineers could submit their stock accounts.</p> <p>The Zonal Accounts Officers are also of the opinion that as soon as the accounts from the divisions are received, they could compile the accounts within 7-15 days' time. Similarly, the GM (Finance &amp; Accounts), MVVNL stated that he could get the financial statements ready for statutory audit in a month's time if he receives the zonal accounts from the zones duly audited by the branch auditors.</p>	
2.	<p><u>Delay in reconciliation of Inter-Unit Transactions (IUT)</u></p> <ul style="list-style-type: none"> <li>■ IUT balances remain outstanding mainly due to following reasons:-             <ol style="list-style-type: none"> <li>a. IUT - Materials – Non submission of accounts by Zones and Divisions while Store accounts are submitted to HO.</li> <li>b. IUT – Inter-Company Balances – Non-updation of accounts by UPPCL after 2006 while accounts of MVVNL are updated till 2008.</li> </ol> </li> </ul>	<p>This issue also requires administrative action at the highest level of MVVNL's management to clear the backlog.</p> <p>Regarding reconciliation of IUT Inter-Company balances, holding company, UPPCL and MVVNL need to coordinate this activity in line with the target time frame to complete its accounts.</p> <p>In order to facilitate the above one time clearance of arrear, a Task Force / Monitoring Cell may be set up at the Division / Zonal and HO level to monitor this task. The constitution of the above Task Force is explained in Chapter</p>

S. No.	Description of the Issue / Road Block	Actions Required by MVVNL
	<p>Other reasons for non-reconciliation of IUT Balances can be attributed to the following:-</p> <ul style="list-style-type: none"> <li>■ ATDs (Advice for Transfer Debit) / ATC (Advice for Transfer Credit) are not issued at the same time when the entry is made in the Section Journal. ATDs/ ATCs are at times sent late (time period varying from 1 to 10 months).</li> <li>■ Receipt of acceptances of ATDs from responding unit also gets delayed due to late issuance of ATDs in Form 55 by the originating unit.</li> <li>■ Delay in receipt of acceptances of Transfer Debits (ATDs) in Form 56 by responding units are also due to delay in submission of Form 1S and 2S by Section holders to such responding units.</li> </ul>	<p>6.</p> <p>If required MVVNL can take the help of external /internal auditors/ ISP help at each Division level for this one time backlog clearance.</p> <p>For future, MVVNL should look at computerization of accounting system which should enable automatic IUT reconciliation.</p>
3.	<p><u>Hierarchy of accounting units and consolidation process - Consolidation of trial balances pending for the year since 2008-09:</u></p> <p>MVVNL has a hierarchical accounting set up for preparation and consolidation of accounts as under:</p> <ul style="list-style-type: none"> <li>■ Sub-divisions report stock positions of all section holders to respective Divisions. Until all Section holders submit their stock positions, Sub-Divisions are not able to submit its accounts to Divisions.</li> <li>■ Divisions send Consolidated Monthly Trial Balances to their respective Zones. Until all Sub-divisions submit their accounts to their Divisions, Divisions cannot consolidate and</li> </ul>	<p>Under the manual environment and present organization structure, MVVNL would have no choice but to follow the sequential steps in preparation of accounts from the lowest level to the HO level.</p> <p>It would require strong administrative action at the MVVNLs management level to ensure adherence to the various time lines by all as instructed / defined to clear the backlog.</p> <p>For future, MVVNL should look at computerization of accounting system which should enable timely preparation of accounts without facing this limitation.</p>

S. No.	Description of the Issue / Road Block	Actions Required by MVVNL
	<p>submit accounts to Zones.</p> <ul style="list-style-type: none"> <li>■ Zones prepare and send Consolidated Monthly Trial Balances for such Zones to Head Quarters. Until all Divisions submit their accounts to Zones, Zones are not able to consolidate and submit its accounts to the Head Quarters</li> <li>■ Head Quarters is not able to consolidate company accounts until all Zones have submitted their Consolidated MTBs.</li> </ul>	
4.	<p><u>Process of commencement/ completion of Branch Audits of Zonal Accounts, leading to delay</u></p> <ul style="list-style-type: none"> <li>■ At present the Branch Auditors are appointed on a year to year basis. As of now the branch auditor have been appointed for the year 2008-09. Further the branch audit is commenced only after the preparation of consolidated Monthly Trial Balances (MTB) at the zonal level.</li> <li>■ Due to delay in book keeping at accounting units due to non-closure of SJ 4 Register and the consequent delay in receipt of Monthly Trial Balances (MTB) from various accounting units, there is further delay in the consolidation process of MTBs at the zonal level.</li> <li>■ Delay in the commencement by some branch auditors due to their other professional engagements.</li> <li>■ Further it appears that there is lack of monitoring system at the Zone and HO level to ensure that the Branch Audit is commenced /</li> </ul>	<p>MVVNL may take up the matter with the Branch auditors to commence the audit based on the consolidated monthly trial balances sent by the Divisions without waiting for the final consolidated annual MTB at the Zonal level. This can help in early commencement of branch audit.</p> <p>Further, MVVNL may request the CAG for appointment of branch auditor for the subsequent years also i.e. 2009-10 and 2010-11 so that the branch audit can be taken up as and when the individual Zones are ready without waiting for the completion of statutory audit of accounts of the prior year.</p>

S. No.	Description of the Issue / Road Block	Actions Required by MVVNL
	completed in time.	
5.	<p><u>Other Issues</u></p> <p>The other main reasons for delay are as under:-</p> <ul style="list-style-type: none"> <li>■ Lack of computerized accounting system</li> <li>■ Lack of adequately professionally qualified staff.</li> <li>■ Inadequate quality of the accounts rendered for audit - Frequent changes made in accounts during the conduct of audit requiring re-checking.</li> <li>■ Inadequate management of Audit - absence of audit coordinator to facilitate audit work and delay in providing responses to auditor's queries.</li> <li>■ Delay in adoption of final accounts by Board of Directors</li> <li>■ Delay in convening Annual General Meetings to approve the audited accounts</li> <li>■ Lack of overall integrated planning and monitoring of the entire process of preparation and compilation of accounts at all levels and across locations, inviting auditors to commence the audit, monitoring audit progress.</li> </ul>	<p>All these issues require administrative action and would facilitate the completion of accounts in time, especially computerization of accounts, up gradation of accounting staff etc.</p>



## 6. WORK PLAN/ROAD MAP FOR CLEARING BACKLOG IN ACCOUNTS UPTO THE YEAR 2009-10

6.1 This chapter provides the Work Plan / Road Map for clearing the backlog in accounts keeping in view the current status in arrears of accounts, key issue identified and the interventions required by MVVNL as discussed in the previous chapters.

### Overall Target

6.2 The overall aim of MVVNL should be to clear the backlog in the preparation of accounts upto the financial year 2009-10 of MVVNL and ideally at the same time creating no further backlog for the current year. Accordingly, the backlog in annual audited accounts for the years upto 2009-10 should be cleared and simultaneously accounts for the year 2010-11 should get audited more or less in time.

6.3 The MVVNL top management as well as the operating team must be committed to the above target and it would require a special effort/ intervention in terms of one time special drive on its part to achieve the same. As mentioned in the previous chapter MVVNL may take the support of its internal auditor and ISP resources in clearing the backlog in stores accounts and inter unit reconciliations. However it should be noted that the prime ownership for clearing of the backlog would continue to be with the MVVNL.

6.4 In order to ensure proper support and monitoring of the work plan, it is suggested that MVVNL should form a Special Task Force headed by the MD. The Task Force should also take decision on taking outside support wherever required for the updation of accounts. The Task Force should meet at least once a month and report the progress to the MD and take remedial measures for any slippages. The Task force may consist of the following members:

Level	Proposed Members
HO level	<ul style="list-style-type: none"> <li>■ Managing Director</li> <li>■ Head of Finance (also Member Secretary)</li> <li>■ Representatives from the Stores and Operations</li> </ul> <p>MVVNL may also adopt one consultant from Institute of Public Auditors of India (IPAI) to be part of the Task Force for the initial 6 months.</p>
Zonal Office Level	<ul style="list-style-type: none"> <li>■ Zonal Engineer</li> <li>■ Zonal Head of Finance (also Member Secretary)</li> <li>■ Representatives from the Division Accounts and Operations</li> </ul> <p>MVVNL may also adopt one consultant from Institute of Public Auditors of India (IPAI) to be part of the Task Force (for two Zones together) for the initial 6 months.</p>

### Suggested Work Plan

6.5 The suggested work plan / road map for each of the year is provided below:

Accounts for the year	2006-07
Present Status	<p>The accounts for the year 2006-07 have been audited and are pending adoption in the AGM.</p> <p>As on the date of the field visit, MVVNL has planned to adopt the accounts in the AGM to be held in November 2010.</p>
Suggested Work Plan / Action required by MVVNL	Holding of AGM as scheduled

Accounts for the year	2007-08
Present Status	<ul style="list-style-type: none"> <li>■ The accounts for the year 2007-08 have been approved by the Board of MVVNL and the statutory audit is in progress, which is expected to be completed by 1st Week of December 2010 as planned by MVVNL.</li> <li>■ The CAG audit is yet to be commenced and which is expected to be completed by April 30, 2011 as planned by MVVNL.</li> <li>■ The subsequent activities for accounts adoption process shall be planned after the completion of CAG audit.</li> </ul>
Suggested Work Plan / Action required by MVVNL	<ul style="list-style-type: none"> <li>■ Ensuring completion of statutory audit as per the target date i.e. 1st week of December 2010.</li> <li>■ The time frame of CAG audit can be reduced to upto 2 months (i.e. February 7, 2011) by proper coordination and timely response to the audit paras by MVVNL.</li> <li>■ The AGM should be planned immediately after completion of CAG audit. The target date for adoption of accounts should be upto Feb 28, 2011.</li> </ul>

Accounts for the year	2008-09
Present Status	<ul style="list-style-type: none"> <li>■ The completion of accounts for the year 2008-09 are still at the Zonal level and the Branch Audit is in progress which is expected to be completed by December 7, 2010 as planned (as per the checklist provided) by MVVNL.</li> <li>■ The further activities at the HO for consolidation of accounts and preparation of unaudited accounts are expected to be completed by December 25, 2010 as planned by MVVNL.</li> <li>■ The statutory audit for year 2008-09 is yet to commence.</li> <li>■ Since the CAG audit of the year 2007-08 is expected to be</li> </ul>

Accounts for the year	2008-09
	<p>completed by the April 2011, MVVNL has planned to complete the statutory audit for the year 2008-09 by October 2011 and CAG audit by March 2012 only.</p>
Suggested Work Plan / Action required by MVVNL	<ul style="list-style-type: none"> <li>■ Ensuring completion of branch audits as per the target date i.e. 1st week of December 2010.</li> <li>■ Ensuring completion of unaudited accounts by end of December 2010. This activity should not be withheld for pending CAG audit of the previous year and any change required in the opening balances can be adjusted during the course of audit for the year 2008-09.</li> <li>■ The time frame of statutory audit must be reduced and MVVNL should aim to complete Statutory Audit by March 7, 2011. The statutory audit should be taken up without waiting for the CAG audit completion for the previous year.</li> <li>■ MVVNL should aim to complete the CAG audit within next 2 months (i.e. May 7, 2011) by proper coordination and timely response to the audit paras by MVVNL.</li> <li>■ The AGM should be planned immediately after completion of CAG audit. The target date for adoption of accounts should be upto May 31, 2011.</li> </ul>

Accounts for the year	2009-10
Present Status	<ul style="list-style-type: none"> <li>■ The preparation of books of accounts for the year 2009-10 is yet not complete. The key accounting activities which are yet to be taken up are: <ul style="list-style-type: none"> <li>◆ Submission of Form 1 S (Stores Receipt) and Form 1 S (Stores Issues) by Junior Engineers</li> <li>◆ Updation of recording stock adjustments and Closure of Adjustment Register (SJ-4)</li> </ul> </li> <li>■ The further activities at the Zonal Level for consolidation of accounts are planned only by March 2012, by which time the accounts for the year 2008-09 are expected to be completed. The branch audit will be planned only after this activity is done.</li> <li>■ The further activities at the HO Level for consolidation of accounts, statutory audit and CAG audit are yet to be planned.</li> </ul>
Suggested Work Plan / Action required by	<ul style="list-style-type: none"> <li>■ The preparation of accounts and passing of adjustments for SJ 4</li> </ul>

Accounts for the year	2009-10
MVVNL	<p>should be taken up on priority basis and must not be delayed further. This activity should be completed within next 2 months (say December 31, 2010). This activity is not dependent upon the completion of accounts for the previous years.</p> <ul style="list-style-type: none"> <li>■ With the completion of above activity, the accounting units should also aim to submit the monthly accounts for all the months including supplementary trial balance by January 31, 2011.</li> <li>■ Based on the above, the Zones should aim to complete the branch accounts and branch audit by March 31, 2011.</li> <li>■ Based on the above, the HO should aim to complete the HO accounts and Statutory Audit by June 30, 2011.</li> <li>■ MVVNL should aim to complete the CAG audit within next 2 months (i.e. August 31, 2011) by proper coordination and timely response to the audit paras by MVVNL.</li> <li>■ The AGM should be planned immediately after completion of CAG audit. The target date for adoption of accounts should be upto September 30, 2011.</li> </ul>

Accounts for the year	2010-11
Present Status	The preparation of accounts for the year 2010-11 are still in the stage of preparation of accounts at the field level and is likely to remain in arrear for next 2-3 years going by the above status on the prior year accounts.
Suggested Work Plan / Action required by MVVNL	<ul style="list-style-type: none"> <li>■ Ideally, MVVNL's aim should be to complete the accounts for the year 2010-11 within 6 months (i.e. by September 2011). However this could be challenge considering the backlog.</li> <li>■ MVVNL approach should be to prepare and keep the accounts for the year 2010-11 ready for audit without waiting for the completion of audit of the previous years.</li> </ul>

6.6 Based on the above suggested work plan / road map, activities and the target dates are summarised below:

**Table 3: Summary of Work Plan - Madhyanchal Vidyut Vitran Nigam Ltd**

S. No.	Activities	Overall Responsibility	Planned Target Dates for pending years		
			2007-08	2008-09	2009-10

S.	Activities	Overall	Planned Target Dates for pending years		
1.	Completion of Primary Books of accounts:				
	Submission of Form 1 S (Stores Receipt) and Form 1 S (Stores Issues) by Junior Engineers	Executive Engineer	NA	NA	31st Dec 2010
	Updation of recording stock adjustments and Closure of Adjustment Register (SJ-4)	Concerned Accounts Officer at Circles/ Divisions/ Stores	NA	NA	15th Jan 2010
2.	Compilation of Monthly Trial Balances:				
	Consolidation Registers and Monthly Trial Balances at accounting units	Concerned Accounts Officer at Circles/ Divisions/ Stores	NA	NA	31st Jan 2011
	Consolidation Registers at Zones	Dy Chief Accounts Officer	NA	NA	15th Feb 2011
3.	Branch Audit of Zonal Accounts	Dy Chief Accounts Officer/ Branch Auditor	NA	7th Dec 2010	31st March 2011
4.	Preparation of Un-audited Accounts:				
	Consolidation Registers at Head Office	GM (Finance & Accounts) / HO accountant	NA	20th Dec 2010	15th April 2011
	Inter-company reconciliation entries and preparation of final accounts	GM (Finance & Accounts) / HO accountant	NA	25th Dec 2010	22nd April 2011
	Preparation of Unaudited Accounts	GM (Finance & Accounts) / HO accountant	NA	31st Dec 2010	7th May 2011
6.	Approval of final accounts by Board of Directors u/s Sec 215 (3) Cos' Act, 1956	Board of Directors	NA	7th January 2011	15th May 2011

S.	Activities	Overall	Planned Target Dates for pending years		
7.	Completion of Statutory Audit u/s 619 (3) (a)	GM (Finance & Accounts) / Statutory Auditors	7th Dec 2010	7th March 2011	30th June 2011
8.	Completion of CAG Audit u/s 619 (3) (b)	GM (Finance & Accounts) / CAG Auditors	7th Feb 2011	7th May 2011	31st August 2011
10.	Approval and adoption of audited accounts at Annual General Meeting	Company Secretary/ MVVNL	28th Feb 2011	31st May 2011	30th September 2011

NA – Not Applicable

6.7 Simultaneously with the above, MVVNL should undertake/ complete the following to improve upon the quality of annual accounts:

- Creation of fixed assets register
- Cleaning up and reconciliation of current assets especially Sundry Debtors

## 7. OTHER ASPECTS

### Computerization

- 7.1 The present overall status of computerisation in Madhyanchal Vidyut Vitran Nigam Limited can be listed out as below.
- Revenue Billing is outsourced and computerized. Revenue collections are updated in this system.
  - Preparation of Monthly Trial Balances and their consolidation at zones have been outsourced and the Consolidation Registers are printed in the computer output reports for the consolidation of monthly trial balances zone-wise, circle-wise, division-wise and unit-wise.
  - All other activities including accounts preparation are done manually.
  - The decision regarding computerization of financial accounting systems has to be taken and implemented by the holding company, UPPCL.

### IFRS Implementation

#### Applicability of IFRS in India

- 7.2 On recommendation made by the Core Group, constituted by the Ministry of Corporate Affairs (MCA) for convergence of Indian Accounting Standards with International Financial Reporting Standards, MCA on January 22, 2010, had come out with the roadmap for convergence to IFRS for the Companies other than Banking companies, Insurance companies and Non-Banking Finance Companies.
- 7.3 The Core Group, in this respect, held its meeting on January 11, 2010 and agreed that in view of the roadmap for achieving convergence, there will be two separate sets of Accounting Standards u/s Section 211(3C) of the Companies Act, 1956.

**First set** would comprise of the Indian Accounting Standards which are converged with the IFRSs which shall be applicable to the specified class of companies as defined in the roadmap.

The **second set** would comprise of the existing Indian Accounting Standards (as notified by the government) and would be applicable to other companies.

- 7.4 The roadmap issued by MCA defines a phase wise convergence plan. Accordingly, the first set of accounting standards would be applicable to various companies covered under the defined criteria over different phases.

#### Timelines for Companies other than Banking, Insurance and Non-banking financial companies

- 7.5 The first set of Accounting Standards (i.e. converged accounting standards) will be applied to specified class of companies in phases as follows:

Particulars	Phase I	Phase II	Phase III
Companies covered	<ul style="list-style-type: none"> <li>■ NSE – Nifty 50</li> <li>■ BSE - Sensex 30</li> </ul>	<ul style="list-style-type: none"> <li>■ whether listed or not, having a net</li> </ul>	<ul style="list-style-type: none"> <li>■ Listed companies which have a net</li> </ul>

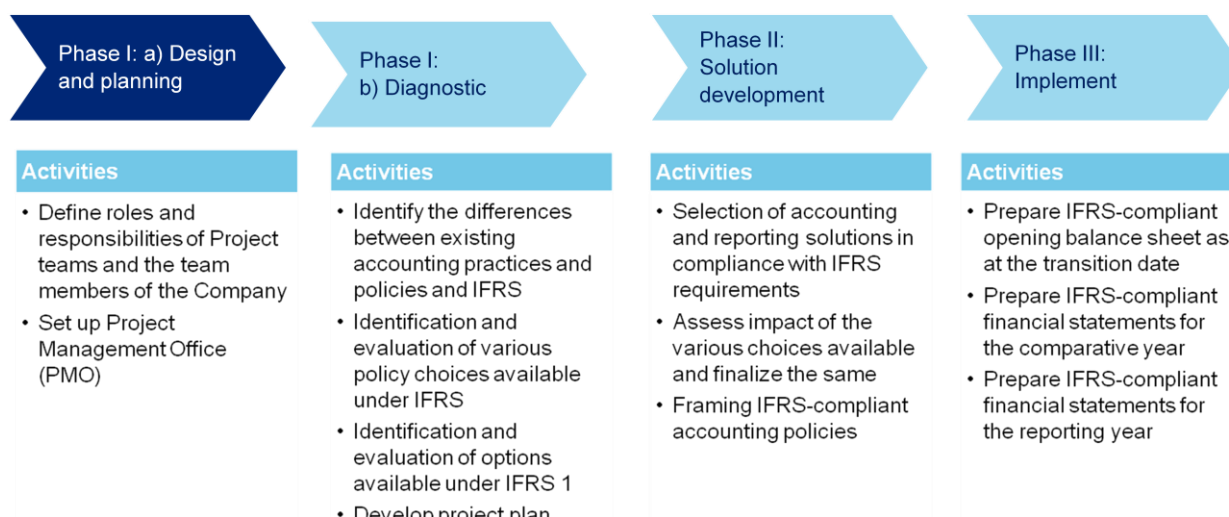
Particulars	Phase I	Phase II	Phase III
	<ul style="list-style-type: none"> <li>■ Companies with shares or other securities listed overseas</li> <li>■ Companies with net worth in excess of Rs.1,000 crores.</li> </ul>	worth exceeding Rs. 500 crores but not exceeding Rs. 1,000 crores	worth of Rs. 500 crores or less
Opening Balance Sheet	1 April 2011	1 April 2013	1 April 2014
Quarterly	June 2011 to Dec 2011	June 2013 to Dec 2013	June 2014 to Dec 2014
Financial year	2011-12	2013-14	2014-2015

*The MCA has clarified that ‘Net worth’, for the purpose of the Roadmap shall be computed as the sum of share capital and all the reserves (except revaluation reserve, if any) and reduced by miscellaneous expenses to the extent not written off and the debit balance of profit and loss account, if any. Further, the net worth for this purpose shall be computed as of March 31, 2009.*

### Typical IFRS Implementation Plan

- 7.6 Adoption of IFRS is one of the most significant challenges faced by all entities worldwide. IFRS requires disclosure of large amount of information to be reported as part of the financial statements and the notes to accounts. This creates need for new data, changed calculations and changes in reporting requirements. IFRS conversion projects are often viewed as finance and accounts specific projects. However, these projects impact finance, accounting, information system and human resources. Adoption of IFRS can provide opportunities for achieving synergies with other IT projects and strategic initiative.
- 7.7 Typically, an IFRS Implementation project is divided into the following three phases along with the activities:





To summarize, an IFRS adoption project is much more than just a finance/accounting project. It encompasses a complete business transformation and hence there is a need to have a holistic approach and participation from all stakeholders.

#### Applicability of IFRS to MVVNL

7.8 As per provisional accounts for the year 2008-09, the Net Worth of MVVNL as on 31.3.2009 is estimated as negative by Rs. 1295 crores. Therefore the IFRS timelines as mentioned above are not applicable at present as it is not covered by the current criteria laid down by the government. It is understood that the timelines for applicability of IFRS in respect of companies which may get covered as per the above criteria at future date are awaited.

## **8. FUTURE AREAS FOR IMPROVEMENT**

- 8.1 This chapter provides the key areas for improvement which are important for enduring solution to the problems faced at present by MVVNL in timely and accurate preparation and closure of accounts

### **Design of an Integrated Financial Accounting System**

- 8.2 As a permanent solution for the current problems in facing the difficulties in the timely and accurate preparation and finalisation of accounts, it is strongly advised to implement a Computerised Financial Accounting System with integrated stock and inventory management modules to have a dynamic system of accounts preparation. This software has to be developed in lines with the unique needs and requirements of electricity distribution companies.
- 8.3 Branch auditors are of the opinion that in the manual accounting system currently followed, accounting of inter unit transfers (within divisions and zones) of materials become too complicated leading to delays in finalisation and audit of accounts.
- 8.4 The decision for developing an computerized Integrated Financial Accounting System may be taken by the holding company, UPPCL without any further delay. This common software, after development and testing, can be implemented in all the four distribution companies including MVVNL after proper training to the proposed users of the system.
- 8.5 The benefit of computerised financial management system would be the assurance of a uniform accounting process with uniform output reports and final accounts across all the four distribution companies as well as the faster closure of accounts preparation and finalisation with provisions for systematic reconciliation of inter unit accounts, bank accounts and control accounts across various account heads and the automatic updation of fixed assets registers.

### **Development of Accounting Manual for distribution utilities**

- 8.6 As a supplement to the above integrated financial accounting system, a comprehensive accounting manual may also be designed and implemented to follow uniform accounting practices, principles and policies commensurate with GAAP ( Generally Accepted Accounting Principles) and the specific requirements of eletricity distribution companies which are to be followed in accordance with the provisions laid down in Electricity Act, 2003.

### **Installation of a Management Information System for accounts preparation monitoring:**

- 8.7 A robust MIS (Management Information System) may be developed and implemented so that the present status of accounts preparation and the status of submission of monthly returns from all stock holders (JEs) across the entire Sub-divisions can be known at any time by the management with the use of MIS reports.
- 8.8 This would also be helpful for the management to monitor the key activities needed for the finalisation of accounts, start date, details of audit queries pending, expected completion dates of various audits being conduted within the organisation at any point of time.

Finalisation of Ledger account balances relating to Uttar Pradesh Transfer of Distribution Undertaking Scheme 2003:

- 8.9 The holding company, UPPCL may take immediate steps to finalise the provisional balances of sundry debtors, stocks and spares, fixed assets, capital work in progress, other current assets and current liabilities and provisions which were transferred and accounted for on gross values as on 11.08.2003. Due to this, fixed assets registers are not updated and maintained properly and the values remain unreconciled with the ledger account balances.
- 8.10 The details and break up of individual assets and liabilities as on 11.08.2003 have not yet been finalised and reconciled. In the absence of item wise details of aforesaid broad heads of assets and liabilities transferred and pending reconciliation, the correctness of book balances, physical existence of assets and the effect of the same on assets and liabilities and profit and loss account cannot be ascertained at any point of time.

## Format of initial questionnaire to facilitate carrying out diagnostic study

**ENTITY NAME:****PLACE:**

<u>AREAS/DESCRIPTION</u>	<u>RESPONSIBILITY OF PROVIDING INFORMATION/ COMPLETION OF ACTIVITY</u>	<u>ESTIMATED COMPLETION DATE</u>
--------------------------	--	----------------------------------

<b>1 <u>Accounting Setup</u></b>		
(i) Head Office – Overall organizational structure of Accounts Deptt., covering departments/sections and the names and contact details of the corresponding Heads of Departments/Heads of Sections.		
(ii) Field Office – Circle/Division/Sub-Division and typical accounting setup of each of these offices.		
(iii) List of accounting units generating trial balance, classified by functions (such as generation, distribution, transmission, central stores, head office accounting units, etc.).		
<b>2 <u>Accounting System</u></b>		
(i) Copy of Accounting manual/guidelines		
(ii) Final accounts/year end accounts closing circulars/guidelines		
(iii) Chart of accounts/accounts classification		
(iv) Copy of documented Accounts policies		
(v) Format of Trial Balance and final Accounts		
<b>3 <u>Status of Computerization of Accounts</u></b>		

(i) Extent of implementation of the computerization system in HO / field offices.		
(ii) List of accounting areas which have been computerized at Head office and field offices.		
(iii) List of Account areas where the computerized system and manual systems are still being operated in parallel.		
(iv) A brief overview of the computerization systems covering aspects such as: coverage of each module, batch mode/online system, IT platform, stand-alone /integrated, internally operated/outsourced, developed internally/through external consultants.		
(v) List of outputs / reports generated from the computerized system		
(vi) Level of integration/Interface between billing and accounting software and issues faced if any in passing accounting entries		
(vii) Plan for future computerization, if any		
<b>4 <u>System of internal audit</u></b>		
(i) What is the internal audit set up – Internal/ External		
(ii) Role, frequency and scope of internal audit function		
(iii) Period upto which the internal audit has been completed		
(iv) Likely target date for audit completion in case of backlog		
(v) Name and contact details of the internal auditor		
(vi) Copy of latest audit report		
(vii) Copy of Internal Audit Program		
<b>5 <u>System of Cost Audit</u></b>		

(i) Brief description of the system followed for preparation of cost records		
(ii) Status of Cost records and cost audit		
(iii) Copy of Cost Accounts and Cost Audit Report		
<b>6 <u>Copies of Annual Accounts / Other related documents</u></b>		
(i) Audited Accounts for the last three years (along with schedules)		
(ii) Audited Accounts for the 1st year after unbundling of SEB (showing incorporation of transferred balances)		
(iii) Annual Budget for the last three years		
(iv) ARR filed with the Regulator for the last 3 years		
(v) Latest MIS report showing financial position /financial performance as generated by the management at present		
<b>7 <u>Status on accounts preparation and audit</u></b>		
(i) Year upto which accounts have been audited by CAG.		
(ii) Year upto which accounts have been audited by the Statuary auditor		
(iii) Year upto which final accounts have been compiled by the Head Office		
<b>8 <u>In respect of the pending accounts, provide status on the following key activities for each year:</u></b>		
<b>(i) CAG Audit</b>		
(i) Whether audit work has commenced.		
a) Status on completion of audit work as on date		
b) Likely target date for audit completion		

c) Name and contact details of the audit party leader		
d) Copy of Audit paras		
e) In case audit work has not started, the likely date to commence audit		
<b>(ii) Statutory Audit</b>		
a) Whether statutory auditor has been appointed		
b) Name and contact details of the auditor		
c) Whether audit work has been commenced		
d) Status on completion of audit work		
e) Likely target date for audit completion		
f) In case audit work has not started, the likely date to commence audit		
<b>(iii) Compilation/ Consolidation of Annual Accounts at HO</b>		
a) Whether annual accounts have been compiled		
b) Whether annual accounts have been adopted / accepted at the management level		
c) If not yet compiled, provide status on / pending activities, such as (please note these are only illustrative and can be modified / added as relevant):		
○ Submission of monthly and year end supplementary Trial balances by the field / accounting units		
○ Scrutiny of TBs at the HO		
○ Passing of year end accounting/ adjustment entries		

○ Consolidation of TBs at the HO		
○ Preparation of provisional accounts		
d) Likely target date for accounts compilation and preparation of annual accounts		
e) Likely start date of audit		
<b>(iv) Compilation/ Consolidation of Accounts at Circles</b>		
a) In case compilation/ consolidation is also done at the circle level, provide similar status as above in respect of the HO.		
<b>(v) Preparation of Accounts by Field / Accounting Units</b>		
a) Whether Fields have completed their activities for preparation of accounts and submitted monthly and year end supplementary Trial balances to HO		
b) If not yet completed, provide status on / pending activities, such as (please note these are only illustrative and can be modified / added as relevant):		
○ Submission of monthly and year end supplementary Trial balances		
○ Scrutiny of TBs at the HO		
○ Passing of year end accounting/ adjustment entries		
○ Details for provision for doubtful debts		
○ Reconciliation of ledgers balances		
○ Capitalization of capital works / projects		
○ Inter unit reconciliations		
○ Bank reconciliations		



○ Physical verification reports of inventory and reconciliation		
○ Stores valuation		
○ Interest accounting		
○ Accrual and year end entries		
○ Likely target date for completion of preparation of accounts		
<b>(vi) Status on Fixed Assets Register</b>		
a) Status on preparation / updation of Fixed Assets Register (FAR)		
b) Physical verification of fixed assets and reconciliation thereof with FAR		
<b>9 <u>Key issues / constraints faced in timely preparation of annual accounts / expediting clearance of backlog in preparation of annual accounts, such as</u></b> (please note these are only illustrative and can be modified / added as relevant):		
(i) Opening balances pending finalization (in case of entities created on unbundling of SEB / re-organization of State)		
(ii) Accounting issues pending resolution and brief description of the same		
(iii) Delay in completion of audits and brief reasons thereof		
(iv) Delay in compilation of accounts at the HO / Field Offices and brief reasons thereof		
(v) Additional staff required to clear one time backlog in accounts		
(vi) Any other items, relevant to understand the reasons for pending financial statements		

INSTRUCTIONS FOR COMPLETION (for discussion and may be finalized after taking inputs from members):

- To be completed by:
- To be submitted to:
- Latest date of submission:

To be authenticated/signed by:

## Annexure 2

## Existing process of accounting on certain aspects

This section provides an overview of the existing accounting processes / practice relating to the following aspects:-

- a.) Consolidation of accounts at division, zonal and HO level
- b.) Accounts consolidation process vis-à-vis stores procurement, assessment billing, stores issues at Division (Stores) and Division (Works)
- c.) Accounting of stores

## Consolidation of accounts at Division, Zonal and HO level

The records and transactions involved at the level of accounting units for consolidation processes can be explained in detail using a data diagram. Table A2.1 below shows the data diagram which describes the records and transactions involved in the consolidation process of accounts preparation.

Table 4: DATA DIAGRAM CONSOLIDATION AT DIVISION LEVEL TRANSACTIONS AND RECORDS

Records						
Cash Book	SJ-1 (Salary and Wages Journal)	SJ-2 (Other Establishment Expenditure Journal)	SJ-3 (Other Payments for Stores & Services etc.)	SJ-4 (Adjustment Journal)	Consolidation Register	Monthly Trial Balance
Description						
To record receipts and payments. Presently all payments are made through cheques. There are three types of cash books:- 1. Main cash book - Expenses 2. Capital cash book (for deposit works and security deposits) 3. Revenue cash book – Collections and deposits into bank.	To record salary expenses of employees	To record accounting unit expenses other than salary such as TA advance, Pay advance, traveling advance, conveyance and medical reimbursement etc.	To record expenditures towards contractors, suppliers to outside parties for stores and services.	To record adjustments for assessment of revenue, stock receipts and issues accounts, adjustment of inter divisional transfers, correction entries	Consolidation register is maintained for consolidation of accounts of division and all reporting sub-divisions. It is maintained at all accounting units i.e. Divisions, Zones and HO. Consolidation register is maintained at the level sub-head entry level on month to month basis without any opening and	Monthly Trial Balance has is prepared by all accounting units and be submitted to reporting accounting units by Divisions to zones and by zones to HO for consolidation. Monthly Trial Balance is maintained at head level entries clubbed through Consolidation Register. It is maintained on Monthly basis by

Records						
					closing balances.	depicting opening and closing balances. It is prepared on yearly basis at FY closing.
Ancillary records						
<p>1. For Main Cash Book – a. Cheque Register</p> <p>2. For Revenue Cash book – 1. Collection Statement (daily for each collector) 2. Bill Stub register 3. Bill Revision Register 4. Consumer Ledger</p> <p>5. For Capital Cash Book 1. Security Deposit Register 2. Schedule of Deposit Works</p> <p>References of cash book vouchers is provided in Sectional Journals</p>	<p>1. Pay Bill Register 2. GPF Register 3. CPF Register 4. LIC Register 5. Post Office Deduction Register 6. Employee Co-op. Society Deduction Register</p>	<p>1. Contingent Advance Register 2. Reimbursements are entered directly through vouchers.</p>	<p>1. Receipt Vouchers 2. Payment Vouchers</p>	<p>1. <u>For Stock Adjustments</u>* Form 5S and 6S record of section holder (JE) and 4S record of Division Accountant (Works). This gives classification of works into Capital works and O&amp;M categories. It further depends on 1S, 2S and 3S records and reconciliation with ATD registers of division and stores.</p> <p>2. <u>For assessment adjustment</u> ** - CS-3 and CS-4 records of Division Accountant (Revenue) is maintained. Entries in CS-4 include collections and bill correction adjustment.</p> <p>3. <u>For correction entries</u> – approval notes.</p> <p>Journal</p>	<p>SJ-1,2,3,4 and Cash Book</p>	<p>Consolidation Register</p>

Records					
				vouchers are prepared for each transaction in SJ-4 e.g. for stock entries vouchers is prepared separately for receipts and issues respectively with supporting documents.	

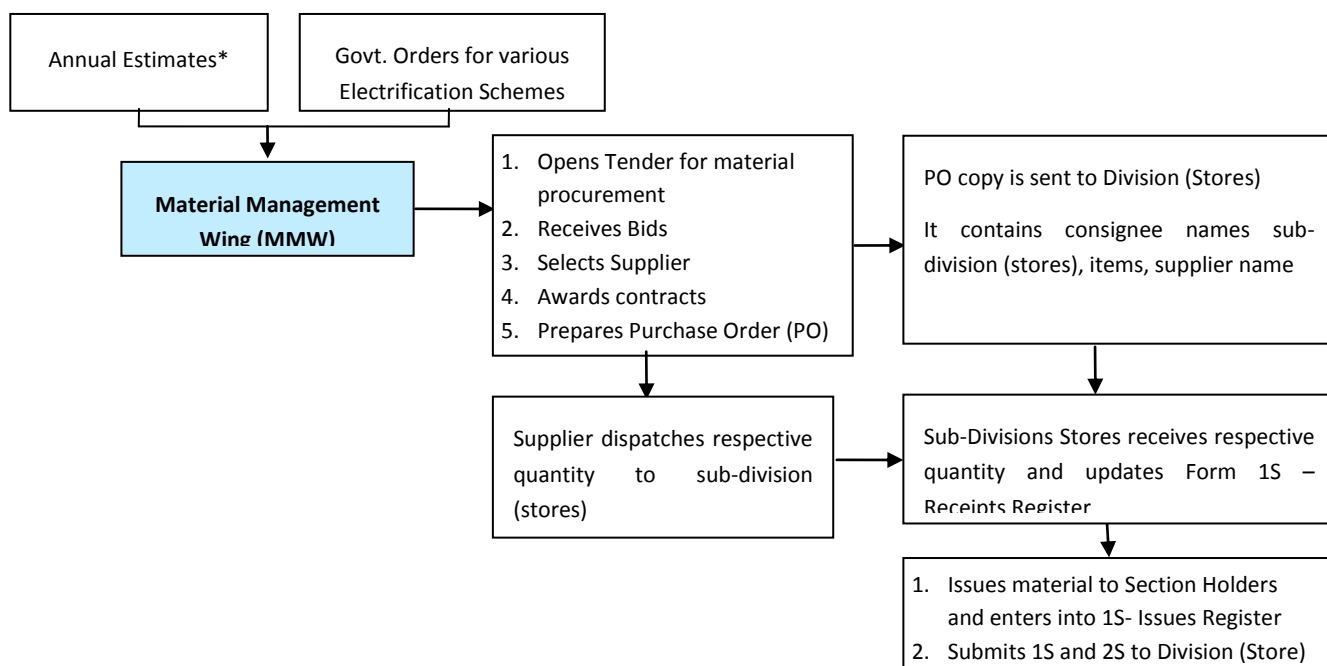
Note: \* and \*\* - Please refer to the process flow charts in Exhibit A2.1 and A2.2.

Head Office and Zone prepares same set of records as maintained at Division Level being but it do not deal with the Billing and Stores. Thus HO and Zone require no corresponding entries in its SJ-4 record for Billing and Stores. Other records maintained by HO are for Inter Company Transactions with UPSEB, UPPCL, other DISCOMS and Financial Statements.

**Accounts consolidation process vis-à-vis stores procurement, assessment billing, stores issues at Division (Stores) and Division (Works)**

The accounts consolidation processes involved at the level of accounting units can be explained in detail using process flow charts to have a comprehensive understanding of the various processes and steps involved therein as shown in the following exhibits:

**Exhibit 4: Accounts Consolidation Process Chart vis-à-vis Stores Procurement**

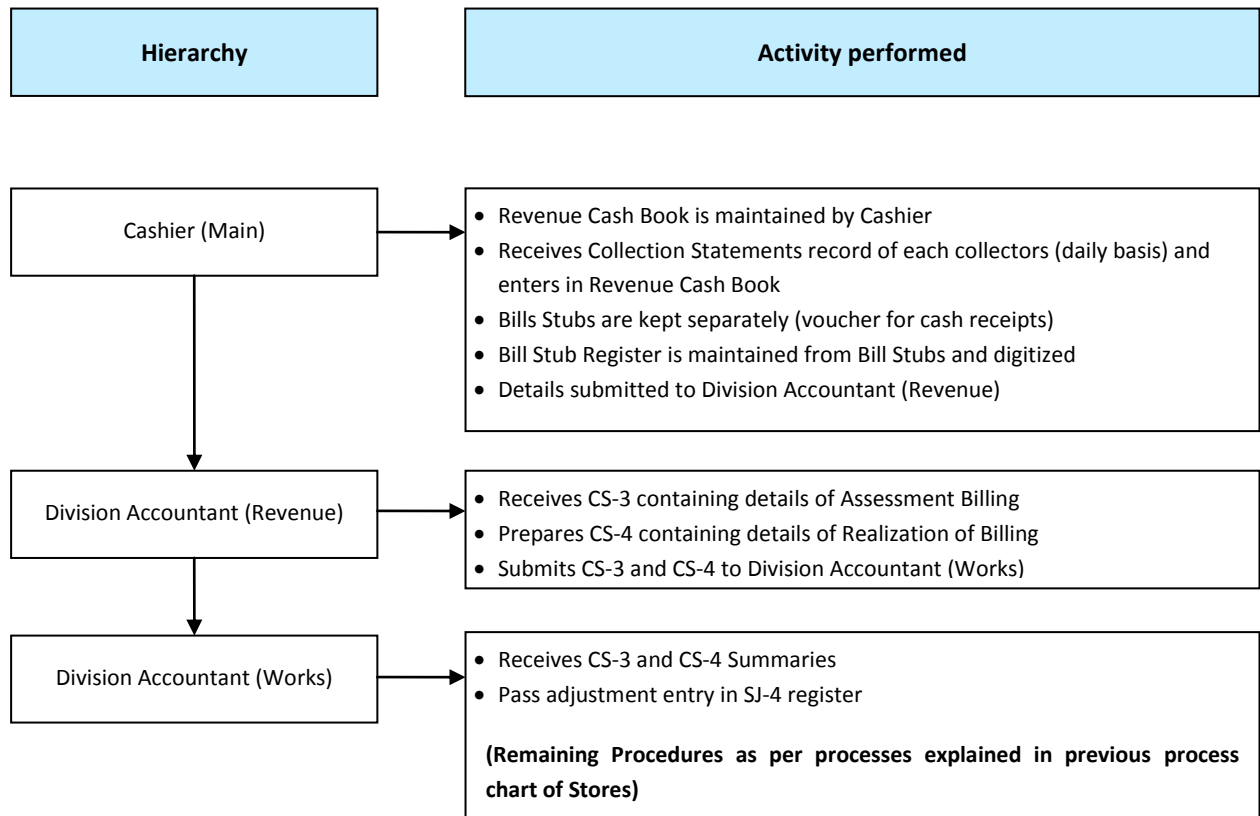


\*Annual Estimates for maintenance works called Normal M&R (Maintenance & Repairs) are prepared by each Division (Works) on the basis of requirements given by respective Section Holders (JEs). Circle (Division) approves this M&R and submits to MMW. There are norms for making the

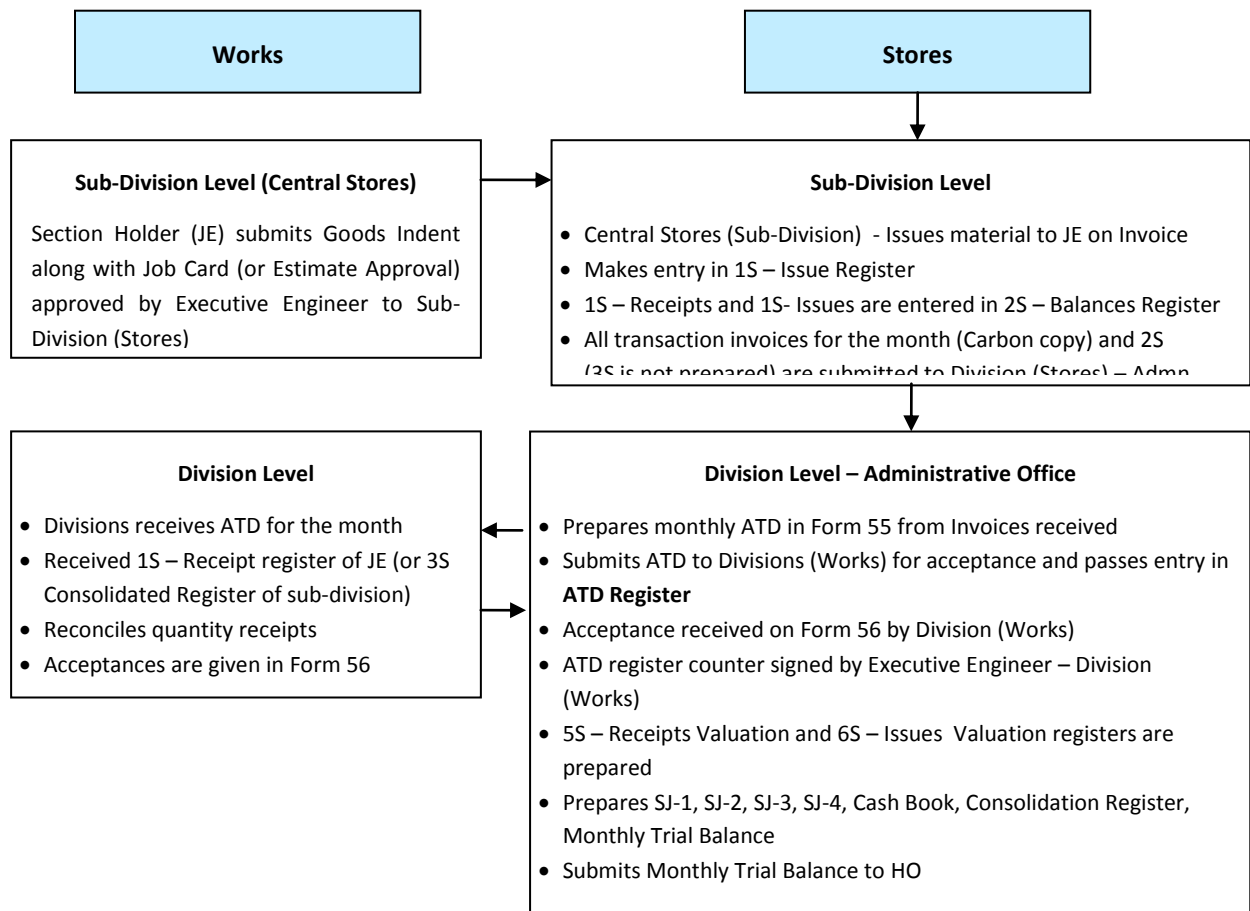
estimate e.g. electric pole/km line requirements. In case of works requirement is not met by Stores, IUT-Materials are resorted to.

Procurement is done centrally through MMW except procurement of petty items which is done by Executive Engineer, Division (Works) upto certain amount. These materials are supplied directly to JE and entered in 1S – Receipts of JEs.

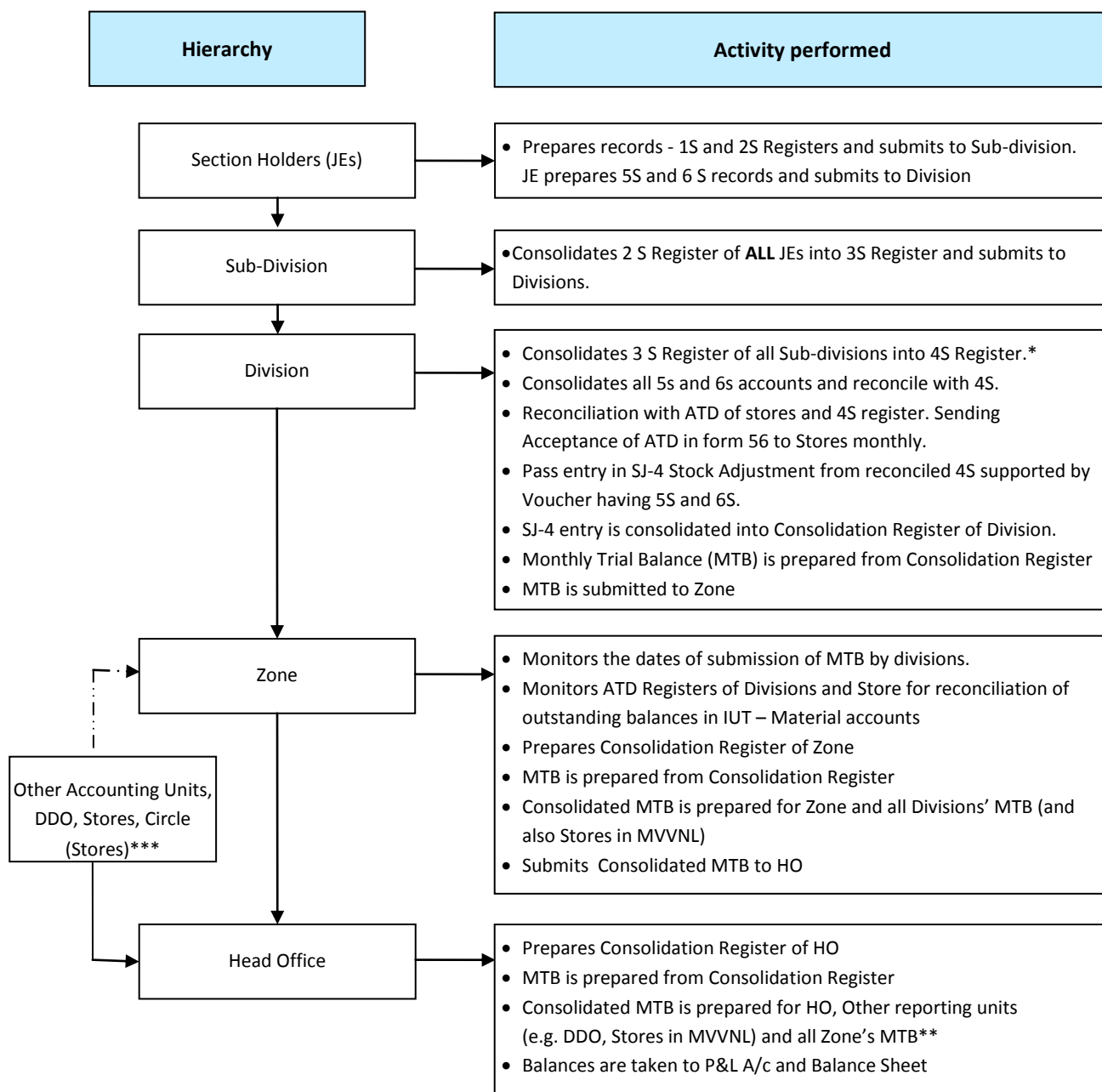
**Exhibit 5: Accounts Consolidation Process Chart vis-à-vis Assessment Billing**



**Exhibit 6: Accounts Consolidation Process Chart vis-à-vis Stores Issues at Division (Stores)**



**Exhibit 7: Accounts Consolidation Process Chart vis-à-vis Stores at Division (Works)**



\*Inter unit material transfers within divisions, inter-divisions and inter-zones are accounted for in division accounts and are monitored by division and zones respectively.

\*\*In case of MVVNL Stores and Circle (Stores) are reporting to HO directly.

\*\*\*Stores and Circle (Stores) reports to Head Office at Madhyanchal.

Since the accounting of receipts, issues and consumption of stores are an integral part of the accounting processes in distribution companies and are critical for the accounts consolidation



processes at the level of each accounting unit, it would be advisable to have a comprehensive understanding of the stores accounting procedures which is detailed as below.

### **Accounting of Stores (with illustrative transaction entries)**

#### **At Stores (an accounting unit)**

Executive Engineer issues a Job Card to Junior Engineer (JE) specifying the quantity requirement of material for a specific job. This authorizes the JE to indent the specific quantities mentioned in the Job Card from the Stores. Assistant Engineer (Stores keeper) issues the materials to JE against the Indent given by the JE along with an Invoice in Form 7 for material issued. AE (Stores) updates the stock register.

When the AE (Stores) issues materials under an invoice to the Junior Engineer (also called as Section Holder) by issue of a Debit Note:

Debit	IUT ( Inter Unit Transactions A/c) – a control account	Dr.
Credit	To Stock of materials A/c	

#### **At Sub-Division Level (not an accounting unit)**

JE enters the quantity received in his record called “1 S – Monthly Receipt Register” against specific works. Format of “1 S – Monthly Receipt Register” is given below:-

#### **Form 1 S – Monthly Receipt Register**

S No.	Material Issued	Work1	Work2	Work3	Work N	Total (Qty.)
	Total					

JE issues the materials to the specific works account and enter its quantities in his record called “1 S – Monthly Issues Register”. However the entry in “1 S – Monthly Issues Register” is made only on completion of works at site from the Measurement Book. The format of “1 S – Issues Register” is given below:-

#### **Form 1 S – Monthly Issues Register**

S No.	Material Issued	Work1	Work2	Work3	Work n	Total (Qty.)
	Total					

Valuation of Materials received by section holders is made in Form 5 S (Monthly Abstract of Stock Receipts by a Section Holder) and Valuation of Materials issued to works is recorded in Form 6 S (Monthly Abstract of Stock Issues by a Section Holder). The valuation of the materials issued to JEs and consumed into the Works are valued at the item-wise specific rates fixed annually by UPPCL, Lucknow in the document named "Stock Issue Rates for the financial year 20xx – 20xx".

At the end of each half year, JE prepares Form 2 S – "Item-wise Ledger account of Receipt & Issues by a section holder" which is a six months' consolidation of Form 5S and 6S and balance of materials against each of the works with him. This is generally prepared by him from the Bin cards maintained at the Stores by the Asst. Stores Keeper.

At the end of each half year, Sub Division prepares Form 3 S – "Item-wise Ledger account of Receipt & Issues for the Sub-Division" which is a six months' consolidation of Form 5S and 6S of all JEs under the sub-division and balance of materials against each of the works with all JEs under that Sub-Division. All Form 5 S and 6 S are then consolidated into Form 3 S (Valued Receipts and Issues) and submitted to Division.

A six monthly reconciliation of Form 3S is made by the Sub Division with the individual Form 2 S received from all section holders of such Sub Division.

#### **At Division Level (an accounting unit)**

Entry for receipt of materials by Junior Engineers from stores where ATD (Advice for Transfer Debit) is the supporting document:

Debit	Stock of materials A/c	Dr.
Credit	To Respective Liability A/c ( <i>a control account</i> )	

Entry made by the Division for issue of materials from Stores on receipt of monthly Form 5-S (Monthly Abstract of Stock Receipts by a Section Holder) from the Junior Engineers:

Debit	Respective Liability A/c ( <i>a control account</i> )	Dr.
Credit	To IUT ( Inter Unit Transactions A/c) – <i>a control account</i>	

Entry made by the Division for consumption of materials account head-wise recorded in SJ-4 (Adjustment Register) on receipt of monthly Form 6-S (Monthly Abstract of Stock Issues by a Section Holder) from the Junior Engineers:

Debit	Capital WIP A/c (Works)	Dr.
Debit	Operations & Maintenance A/c	Dr.
Credit	To Stock of materials A/c	

At the end of each half year, the respective Division prepares Form 4 S – "Item-wise Ledger account of Receipt & Issues for the Division" which is a six months' consolidation of Form 5S and 6S of all sub-divisions under that Division and balance of materials against each of the works with all JEs under that Division. All Form 5 S and 6 S are then consolidated into Form 3 S (Valued Receipts and Issues) and submitted to Division.

A six monthly reconciliation of Form 4S is made by the Division with the Form 3 S received from all Sub- Divisions of such Division.

The closing stock is valued on the balance stock of materials remaining at the stores as well as at the site under the custody of Junior Engineers. No reversal of O & M account is made for the balance of materials in the site/under the control of Junior Engineers which is remaining to be utilized for O & M purposes.

## Annexure 3

## Status of accounts submission by Divisions

The status on submission of monthly accounts by the Division Accounting Units to the Zones for the year 2009-10 and 2010-11 are provided in the Table given below:

Table 5: Status of Accounts Submission by Divisions

S. No.	Name of the Unit	Monthly Accounts submitted	
		For the Year 2009-10	For the Year 2010-11
<b>LESA Zone, Lucknow, as on 05.10.2010</b>			
1	RED I, LESA	Not Available	Nil
2	EUDD CHOWK	Feb 2010	Nil
3	EUDD RESIDENCY	Jan 2010	Nil
4	EUDD HUSAINGANJ	Oct 2009	Nil
5	EUDD AMINABAD	Jan 2010	Nil
6	EUDD, THAKURGANJ	Mar 2010 (Final)	Nil
7	EUDD, ALIGANJ	Nov 2009	Nil
8	EUDD, GOMTINAGAR	Dec 2009	Nil
9	EUDD, INDRANAGAR	Nov 2009	Nil
10	EDD, LUCKNOW	Not Available	Nil
11	ECD II, LESA	Not Available	Nil
12	EUDD, ALAMBAGH	Dec 2009	Nil
13	EUDD, KANPUR ROAD	Feb 2010	Nil
14	EUDD, AISHBAGH	Mar 2010	Nil
15	EE ATTACHED TO CE LESA	Mar 2010 (Final)	Jun 2010
16	DY CAO, LESA	Not Available	Nil
17	PA(M), TO CZE, LAAVESU UPPCL LKO	Not Available	Nil
18	EUCD III, LESA	Nov 2009	Nil
19	GENERATION TALKATORA	Not Available	Nil
20	ONLINE BILLING LESA	Mar 2010	Nil
21	ETD IV, LESA	Mar 2010	Nil

S. No.	Name of the Unit	Monthly Accounts submitted	
22	EUWD, LESA	Mar 2010	Nil
23	EDD-II CESS LESA	Dec 2009	Nil
24	EUDD, RAJ BHAWAN	Jan 2010	Nil
25	EUTD II, LESA	Feb 2010	Nil
26	EUDD, RAJAJI PURAM	Apr 2010	Nil
27	EDD, BAKSHI KA TALAB	Oct 2009	Nil
28	EUDD DALIGANJ	Not Available	Nil
<b>Lucknow Zone, as on 5.10.2010</b>			
1	EDC, RAIBAREILLY	Mar 2010 (Final)	Jun 2010
2	EDD-I, RAIBAREILLY	Jun 2009	Nil
3	EDD-II, RAIBAREILLY	Jul 2009	Nil
4	ETD, RAIBAREILLY	Feb 2010	Nil
5	ETDC, SITAPUR	Nov 2009	Nil
6	EDD-I, LAKHIMPUR	Jun 2009	Nil
7	EDD-II, GOLA	Jul 2009	Nil
8	EDD-I, SITAPUR	Mar 2009	Nil
9	EDD-II, SITAPUR	Mar 2009	Nil
10	ETD, SITAPUR	Sep 2009	Nil
11	EDC, UNNAO	Jan 2010	Nil
12	EDD-I, UNNAO	Mar 2009	Nil
13	EDD-II, UNNAO	Mar 2009	Nil
14	ETD, UNNAO	Mar 2010	Nil
15	EDC, HARDOI	Mar 2010 (Final)	Aug 2010
16	EDD-I, HARDOI	Mar 2009	Nil
17	EDD-II, HARDOI	Mar 2009	Nil
18	ETD, HARDOI	Feb 2010	Nil
19	EWC, LUCKNOW	Sep 2009	Nil
20	ESWD, LUCKNOW	Dec 2009	Nil

S. No.	Name of the Unit	Monthly Accounts submitted	
21	EWD, LUCKNOW	Sep 2009	Nil
22	ECD (D), GOMTINAGAR	Feb 2010	Nil
23	ECD (D), LUCKNOW	Jan 2010	Nil
24	GM (LKO, ZONE), LKO	Jan 2010	Nil
25	ZAO (DISTRIBUTION), LUCKNOW	Sep 2009	Nil
<b>Bareilly Zone, as on 03.11.2010</b>			
1	EDC, BAREILLY	Feb 2010	Nil
2	EDD-I, BAREILLY	Nov 2009	Nil
3	EDD-II, BAREILLY	Dec 2009	Nil
4	ETD, BAREILLY	Nov 2009	Nil
5	EUDC, BAREILLY	Nov 2009	Nil
6	EUDD-I, BAREILLY	Nov 2009	Nil
7	EUDD-II, BAREILLY	Dec 2009	Nil
8	EUDD-III, BAREILLY	Dec 2009	Nil
9	EUTD, BAREILLY	Nov 2009	Nil
10	EDC, SHAHJAHANPUR	Nov 2009	Nil
11	EDD-I, SHAHJAHANPUR	Nov 2009	Nil
12	EDD-II, SHAHJAHANPUR	Dec 2009	Nil
13	EDD, PILIBHIT	Nov 2009	Nil
14	ETD, SHAHJAHANPUR	Nov 2009	Nil
15	EDD-I, BADAUN	Nov 2009	Nil
16	EDD-II, BADAUN	Nov 2009	Nil
17	EDD, BISAULI	Nov 2009	Nil
18	ETD, BADAUN	Nov 2009	Nil
19	EWD, BAREILLY	Nov 2009	Nil
20	EWD, BAREILLY (PAYABLE AT BADAUN)	Jan 2010	Nil
21	ESWD, BAREILLY	Mar 2010	Nil
22	ECD (D), BAREILLY	Mar 2010	Nil

S. No.	Name of the Unit	Monthly Accounts submitted	
23	CZE, UPSEB BLY	Nov 2009	Nil
24	ZAO(D), BAREILLY	Nov 2009	Nil
<b>Faizabad Zone, as on 27.10.2010</b>			
1	EDC, FAIZABAD	Mar 2009 (Final)	Nil
2	EDD-I, FAIZABAD	Mar 2009	Nil
3	EDD-II, FAIZABAD	Mar 2009	Nil
4	ETD, FAIZABAD	Mar 2009 (Final)	Nil
5	EDD, AMBEDKAR NAGAR	Mar 2009	Nil
6	EDD, TANDA	Mar 2009	Nil
7	EDC, SULTANPUR	Mar 2009	Nil
8	EDD-I, SULTANPUR	Mar 2009	Nil
9	EDD-II, SULTANPUR	Mar 2009	Nil
10	ETD, SULTANPUR	Mar 2009	Nil
11	EDD, JAGDISHPUR	Mar 2009	Nil
12	EDD, BARABANKI	Mar 2009	Nil
13	EDC, GONDA	Mar 2009	Nil
14	EDD, GONDA	Mar 2009	Nil
15	EDD, BALRAMPUR	Mar 2009 (Final)	Nil
16	EDD, BAHRAICH	Mar 2009	Nil
17	EDD, SHRAWASTI	Mar 2009	Nil
18	ETD, GONDA	Mar 2009	Nil
19	GM (D), FAIZABAD	Mar 2009 (Final)	Nil
20	EWD, FAIZABAD	Mar 2009	Nil
21	ESWD, FAIZABAD	Mar 2009	Nil
22	ZAO(D), FAIZABAD	Mar 2009 (Final)	Nil
23	EDD, RAM SANEHI GHAT	Mar 2009 (Final)	Nil

## Details of discussions held with branch auditors, statutory and CAG team

The responses by the branch and statutory auditors are provided below: -

**Table 6: Responses of the Branch Auditors (Zonal level)**

Sl. No.	Particulars	Response of the auditor
Name of the Zone: Lesa Sri. Abhinav Khanna, M/s. Thakkar & Co., Chartered Accountants, Contact: (0) 9415001719		
1.	Year of previous audit done by the same auditor	Nil
2.	Year under current audit	2008-09
3.	Start date of current audit	July 2010
4.	Status of Branch audit	Presently under progress. Audit of 12 units out of the total 27 units has been completed. There was a gap of about 1½ months in the audit period due to the auditors attending to other work. Will resume by the first week of November 2010.
5.	Issues facing while conducting audit	No issues are faced during audit. Getting co-operation from accounts staff. Reconciliations are complete and found correct.
6.	No. of staff deployed in the audit team	6 – 8 staff
7.	Can the Branch auditor perform audit of multiple year accounts simultaneously?	Yes, can perform audit of multiple year accounts simultaneously.
8.	In case of audit of multiple years, no. of extra audit staff who can be deployed.	Can deploy more staff in case of multiple year audits.
9.	Time taken for completion of audit	5 months. Can complete the current branch audit by the end of Nov. 2010.
Sl. No.	Particulars	Response of the auditor
Name of the Zone: Lucknow Sri. Rahul Gupta, M/s. Nripendra & Co., Chartered Accountants, Contact: (0) 9336226295		
1.	Year of previous audit done by the same auditor	2007-08
2.	Year under current audit	2008-09
3.	Start date of current audit	04 August 2010
4.	Status of Branch audit	Presently being done



Sl. No.	Particulars	Response of the auditor
5.	Issues facing while conducting audit	No issues are presently faced during audit. Accounts staffs are usually sent for field collections during the months of Feb and March. There are some operational problems also.
6.	No. of staff deployed in the audit team	4 – 5 staff
7.	Can the Branch auditor perform audit of multiple year accounts simultaneously?	Yes, can perform audit of multiple year accounts simultaneously. Provisional accounts can be audited simultaneously.
8.	In case of audit of multiple years, no. of extra audit staff who can be deployed.	Can deploy more staff in case of multiple year audits.
9.	Time taken for completion of audit	4 months. Can complete the current branch audit by the end of Nov. 2010.
Sl. No.	Particulars	Response of the auditor

Name of the Zone: Bareilly

Sri. Sharad Misra, M/s. Sharad Misra & Co., Chartered Accountants, Contact: (0) 9412293572

1.	Year of previous audit done by the same auditor	2007-08
2.	Year under current audit	2008-09
3.	Start date of current audit	Will start on 28 October 2010
4.	Status of Branch audit	In progress
5.	Issues facing while conducting audit	Not applicable
6.	No. of staff deployed in the audit team	3 – 4 staff
7.	Can the Branch auditor perform audit of multiple year accounts simultaneously? If not, state the reason.	No, can perform audits only in a sequential order because less number of audit staff with the firm as well as difficulty in getting the required support from the company.
8.	In case of audit of multiple years, no. of extra audit staff who can be deployed.	Not applicable
9.	Time taken for completion of audit	Cannot give a time schedule now.

Sl. No.	Query	Response of the auditor
Name of the Zone: Faizabad		
Sri. Manish Agarwal, M/s. S.K. Associates & Co., Chartered Accountants, Contact: (0) 9415048481		
1.	Year of previous audit done by the	2007-08

Sl. No.	Particulars	Response of the auditor
	same auditor	
2.	Year under current audit	2008-09
3.	Start date of current audit	Will start on 27 October 2010
4.	Status of Branch audit	Audit has not been started. The reason stated was that the branch (zone) accounts for 2008-09 were not ready for audit even after the auditor sending numerous reminders.
5.	Issues facing while conducting audit	(i) Non-availability of accounts for the year 2008-09 (ii) Non-cooperation of accounts staff
6.	No. of staff deployed in the audit team	2 – 3 staff
7.	Can the Branch auditor perform audit of multiple year accounts simultaneously? If not, state the reason.	Yes, can perform audit of multiple year accounts simultaneously.
8.	In case of audit of multiple years, no. of extra audit staff who can be deployed.	Can deploy more staff in case of multiple year audits.
9.	Time taken for completion of audit	20 days for one year audit and 30 days for two multiple year audits. Probable completion date is November 2010.

**Table 7: Responses from Statutory Auditors**

Sl. No.	Particulars	Response of the auditor
M/s. R. K. Chari & Co. Opposite Bansal Plaza, Daliganj, Lucknow. Phone: 0522 – 2740889, 0522 – 2740868		
1.	Years of statutory audits for which the statutory auditor has been appointed	Appointed for three consecutive years viz., 2007-08, 2008-09 and 2009-10.
2.	Year under current statutory audit	2007-08
3.	Start date of current audit	Last week of April 2010
4.	Status of present statutory audit	Statutory Audit for 2007-08 has been in progress since last 6 months.
5.	Issues facing while conducting audit	The internal audit report relating to HO is pending submission by the company. The company is not looking up the statutory audit seriously.
6.	Can the Branch auditor perform audit of multiple year accounts simultaneously?	Yes, can perform audit of multiple year accounts simultaneously provided the

Sl. No.	Particulars	Response of the auditor
	If not, state the reason.	company has the ability to handle the audit queries in time.
7.	In case of audit of multiple years, no. of extra audit staff who can be deployed.	If required, can deploy more audit staff in case of multiple year statutory audits.
8.	Time taken for completion of audit	6 months.  Audit for the year 2007-08 can be completed within one week's time subject to the company furnishing the Board approved accounts u/s 215 (2) of Co.'s Act as well as pending submission of internal audit report by the company.

### Status on CAG Audits

The discussions held with the CAG officials are summarized below:

**Table 8: Detail of Discussion with CAG Officials**

Sl. No.	Issue	Response / Advice by the CAG Auditor
CAG Officials		
Mr. S K Saxena, Sr. Audit Officer – SEB Accounts and his team		
Mr. A K Dubey, IPAI representative		
1.	When does CAG auditor take up work for any year? What all must be done before they come in?	<ul style="list-style-type: none"> <li>After completion of the statutory audit and on submission of the audited accounts by the company to AG office, AG issues instructions for commencement of supplementary audit of the respective company.</li> <li>Prior to submission of accounts to AG office, the following should be ensured by the company:- <ul style="list-style-type: none"> <li>i. Compilation of accounts for respective financial year</li> <li>ii. Approval of accounts by Board of Directors</li> <li>iii. Submission of accounts to Statutory Auditor for audit.</li> <li>iv. Completion of Statutory Audit.</li> </ul> </li> </ul>
2.	How much time will it take to commence audit after Auditor's appointment? How the audit is being conducted? How many team member deployed? How the work is distributed in sub-	<ul style="list-style-type: none"> <li>Generally AG commences the audit within 2-3 days from the submission of accounts along with statutory audit report.</li> <li>CAG deploys 2-3 members team for audit to meet the company management and Head of Accounts at Head Office. They call for required records from subordinate accounting units in Head Office or else visit the respective</li> </ul>

Sl. No.	Issue	Response / Advice by the CAG Auditor
	division / division / circles / zones and head office? How much time is taken by CAG team?	<p>subordinate accounting unit if required.</p> <ul style="list-style-type: none"> <li>• It takes 15 days to 2 months time for completion of statutory audit.</li> </ul>
3.	Can audit for multiple years be started at the same time? What are the constraints? How can the constraints be resolved? How the IPAI team can help this out?	<ul style="list-style-type: none"> <li>• Audit of multiple of years cannot be started at the same time.</li> <li>• CAG audit for a year can be started only on submission of statutory audit report to the respective AG office. For completing statutory audit for a year, the following conditions have to be fulfilled:- <ul style="list-style-type: none"> <li>○ Adoption of CAG comments for the previous year in the Annual General Meeting.</li> <li>○ Approval of current year accounts by Board of Directors under Section 215(3) of the Companies Act, 1956.</li> <li>○ However, Statutory Auditor may commence the audit work of the multiple years at the same time at his discretion. As per CAG's standing instructions, statutory auditor for multi years can be appointed at same time. Currently, statutory auditor is appointed for 2007-08, 2008-09 and 2009-10 for the audit of MVVNL.</li> </ul> </li> </ul>
4.	Reason of delay in process of completion of CAG Audit and Adoption of Accounts in AGM are discussed as under:-	<p>The main reasons are as under:-</p> <ul style="list-style-type: none"> <li>• Delay in providing accounts by MVVNL after the audit team approaches MVVNL Management</li> <li>• Delay in providing responses to the CAG queries</li> <li>• Delay in approval of accounts by Board of Directors.</li> <li>• Delay in organizing AGM by MVVNL. This is due to the reason that MVVNL does not have any post for Company Secretary on a regular basis. Presently, there is only one Company Secretary, who is handling secretarial work of UPPCL as well as all DISCOMS, RVUNL, KESCO, UPPTC, and UCM Coal Ltd.</li> </ul>

Based on discussions with the CAG officials, the time usually taken in conduct of CAG audit and the possibility of expediting the same are provided in the Table below:

**Table 9: Time frame for CAG Audit**

S No.	Activity	Time Taken Normally (In days)	Way to fasten process	Minimum Time required (in days)
1.	AG issues orders and commences audit of the company.	3 days	In case Statutory Auditor informs AG office about the tentative date of completion of audit in one month advance.	1 day
2.	AG conducts and completes audit of one year accounts.* This excludes time taken by company in responding to queries of AG team during the conduct of audit. In case of MVVNL, it takes a long time and becomes hurdle to complete audit.	15-60 days*	In case CAG is requested for taking up on priority the audit of the company.	15 days*
3.	AG team prepares draft comments and sends it to statutory auditor and company for responses.	7 days	Step 3 and 4 can be performed simultaneously in exceptional cases.	7 days
4.	Company is invited for discussion at respective AG office. In case, AG is satisfied with responses, comments are dropped.	7-10 days		
5.	Otherwise these comments are finalized and sent to CAG office, Delhi for approval. Later CAG approved comments are received by AG. (CAG takes just 1-2 days in approving AG comments). CAG approved comments are issued by AG to the management of the company.	15 days	Company shall incorporate the AG comments in Notes to Accounts. Then there is no need to send the AG comments to CAG office, Delhi for approval.	Nil
6.	Company puts forth CAG comments along with Directors' Report for consideration of the Audit Committee and Board of Directors.	10-12 days	Company holds the Audit Committee and BoD meeting on priority.	7 days
	<b>Total Time taken / required for CAG audit of one year accounts</b>	<b>107 days</b>		<b>30 days</b>

\* CAG conducts the audit of the following year on submission of audited accounts and Statutory Audit report for the current year.