

# Electricity Regulatory Commission – Accounts & Audit

## **Electricity Regulatory Commission – Accounts & Audit**

The paragraphs that follow seek to provide a broad framework for the process of Accounts, financial reporting & Audit for Electricity Regulatory Commissions consistent with the various sections of the Electricity Act, 2003. The words & expressions used in the text shall have the same meaning as defined in the Act.

### **Grants & Loans by Government**

- Pursuant to provisions of Section 98 & 102 of the Act, the Central Government & each of the State Governments after due appropriation by Parliament or State Legislature in this behalf shall make, by way of budgetary support, grants and loans of such sums of money, it may consider necessary, to the Central Commission & the State Commission respectively.
- Provisions for the release of grants and loans shall be made in the Budget of the Appropriate Government under Major Head “2801 – Power” and under “6801 Loans for Power Projects”.
- The sanctions to be issued by the Ministry for release of grants and/ or loans will indicate the head of account to which expenditure is debitable in the accounts of the Appropriate Government.
- For regulatory independence of Commission grants by government may be charged on the Consolidated Fund .

### **Constitution of the Central and the State Electricity Regulatory Commission Fund**

- With a view to secure financial autonomy for the Electricity Regulatory Commissions, in accordance with the provisions of Electricity Act, 2003, the Central and the State Electricity Regulatory Commission Fund should be established by the Central Government and each of the State Governments which shall consist of:
  - i) grants and loans made by the respective Government appropriated from the Consolidated Fund;
  - ii) all fees received by the Commission under the Act; and
  - iii) all sums received by the Commission from such other sources as may be decided upon by the Government.

Moneys from the Fund shall be applied for meeting;

- a) the salary, allowances and other remuneration of Chairperson, Members, Secretary, Officers and other employees of the Electricity Regulatory Commissions;
- b) the expenses of the Central Commission and the State Commissions in discharge of its functions under section 79 and 86 of the Act respectively; and
- c) the expenses on objects and for purposes authorized by the Act.

- The ability of the Appropriate Commission to collect and spend money is derived from the Act. The Electricity Regulatory Commission Fund resources are, by Act, restricted to specified uses. Legal and budgetary features assist in monitoring inflows and outflows of financial resources to ensure compliance with the provisions of the Act.

#### **Operation of Fund**

- The Fund established under the Act shall be maintained in Public Account in accordance with the directions of Government of India, Ministry of Finance, Department of Economic Affairs (Budget Division) issued under O.M. No. F.1(30)-B(AC)/2004 dated 7<sup>th</sup> January 2005. The Fund will be non-lapsable.
- For operationalization of Central Regulatory Electricity Commission Fund and State Regulatory Electricity Commission Fund in the Public Account of the Appropriate Government, Minor Heads of Account under the Major Head “8235 – General and Other Reserve Funds” in Section “J – Reserve Funds, (b) Reserve Funds not bearing interest” would need to be opened by Controller General of Accounts on the advice of the Comptroller and Auditor General of India.
- The Commission both Central as well as the State having been established by Acts of Parliament and State Legislature respectively are to be treated as “the State” within the meaning of the expression used in Article 12 of the Constitution of India. Therefore, the moneys collected by these bodies will be credited to the Government Account.
- All moneys which become due to the Commission shall be paid into the Fund Account of the Commission in the Public Account. Grants and/or Loans by government shall be directly transferred by the Appropriate Government to the Fund in the Public Account.
- At the commencement of each financial year the Commission shall be entitled to withdraw a lump sum of money from the Public Account, equivalent to its annual financial requirement. The money withdrawn shall be deposited in an account with a nationalized bank opened for meeting expenses of the Commission. The above captioned withdrawal shall be subject to :
  - a) The Commission having passed a tariff order for the current year, prior to the withdrawal, including license fee payable by GENCOs/ DISCOMs/ TRANSCOso as to meet estimated expenses of the Commission.
  - b) In estimating expenditure for the year the amount of cash and bank balances at the close of the previous year shall be taken into account.
- The Bank account shall be operated by the Drawing and Disbursing Officer to be designated by the Secretary to the Commission.
- Expenditure from the Fund for meeting expenses of the Commission in discharge of its functions under the Act and on objects and purposes authorized by the Act shall essentially be regulated by;
  - i) *Compliance consideration with the requirement of applicable provisions of the Act in actual disbursement.*

- ii) The expenditure from the Fund conforms to the objectives and purposes as authorized by the Act and is consistent with the prescribed financial rules , regulations and procedures.*
- iii) There is a valid availability of funds in the Commissions' budget, including supplementary grant(s) and re-appropriation.*
- iv) There is delegation of powers by Commission to expend funds.*
- v) All payments shall be properly vouched.*
- vi) Commissions shall maintain proper books of account..*

### **Accounts and Audit of the Commission**

1. Appropriate Commission will establish an annual budget & an accounting system that is adequate to provide budgetary control over revenue & expenses.
2. The annual accounts will comprise: (i) Income & Expenses account, and (ii) Balance Sheet.
3. Accounts shall be maintained on accrual basis in Indian rupees. The accounting standards as set by The Institute of Chartered Accountants of India will be applied.
4. Significant accounting policies as adopted in the preparation of financial statements will be disclosed so as to promote better understanding of these statements.
5. Budgetary comparison shall be included in the appropriate financial statements.
6. Period of accounts will be a financial year, a period of 12 months, ending 31 March in every year. Annual accounts will cover the period from 1 April to 31 March.

The audit of Regulatory Commission will be in accordance with Section 100/ 104 of The Electricity Act 2003.

### **Budget of the Commission**

- At the commencement of each financial year, Central Commission and each State Commission will send to the Appropriate Government its Annual Budget.
- The Budget will show actual receipts and expenditure of the previous year; estimates of receipts and expenditure of the year; and proposals for meeting the requirements of the following year.
- The estimates for expenditure would show object-wise expenditure as per accounts in the previous year; budget and revised estimates for the current year and budget estimates for the ensuing year.
- The estimates for receipts would be by source of funds.
- The model format for Commissions Budget is illustrated below: the model format may be modified according to local requirement in consultation with the local Accountant General (A&E)

**Central/ State Electricity Regulatory Commission**

**(In..... Rupees)**

<b>Actuals for the previous year</b>	<b>Budget Estimates for the current year</b>	<b>Revised Estimates for the current year</b>	<b>Revenue heads / Expenditure heads</b>	<b>Budget Estimates for the next year</b>
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- The provision shall be made under various revenue sources and object heads of expenditure. Classification codes will be used to identify type of transaction and stocks of assets and liabilities. Codes beginning with 1 refer to revenue, codes beginning with 2 refer to expenses and codes beginning with 3 refer to assets and liabilities. In actual application use of more detailed classification may be needed. This expansion can be done by adding another digit to classification code.

1. Revenue	
11 Grants	
111 Grants from Government of India/ State Government	
112 Grants from Power Finance Corporation	
12 Loans	
121 Loans from Government of India/ State Government	
122 Loans from Power Finance Corporation	
13 Fees received under the Act	
131 Licence Fee	
132 Application/ processing Fee	
14 Repayment of Loans	
15 Other Receipts	
151 Bid Processing Fee	
152 Fines & Penalties	
153 Interest	
2. Expenditure	
21 Salary & Allowances	
211 Salary & Allowances of Chairman	
2111 Traveling Expenses	
2112 Medical Expenses	
2113 Pensionary charges	
212 Salary & Allowances of Members	
213 Salary & Allowances of Staff	
22 Loans and Advances to employees	

221 Advance for purchase of motor conveyance	
2211 Advance for purchase of motor conveyance to Chairman/Members	
222 Advance for purchase of other conveyances	
2221 Advance for purchase of Scooter/ Motor cycle	
2222 Advance for purchase of cycle	
223 House Building Advance	
23 Office Expenses	
231 Postage & Courier charges	
232 Telephone & Fax Charges	
233 Stationary & Computer Consumables	
234 Repairs and Maintenance	
2341 Office machines & Equipment	
2342 Maintenance of Office Vehicles	
235 POL	
236 News Papers & Periodicals	
237 Printing of Forms	
24 Rent, Rates & Taxes	
25 Other Administrative Expenses	
251 Hospitality and entertainment expenses	
252 Seminars, Conferences & Workshops	
253 Training programmes	
254 Publications	
255 Meetings of the Commission & Advisory Committee	
256 Audit Fee	
26 Wages	
261 Wages of staff paid out of contingencies	
262 Wages of Labourers	
27 Professional Services	
271 Legal Services	
272 Consultancy Services	
28 Finance charges	
281 Bank charges	
282 Interest	
29 Other charges	

291 Deprecation	
3 Assets & Liabilities	
31 Assets	
311 Land & Buildings	
312 Vehicles	
313 Office Equipments	
314 Computers	
315 Inventories	
316 Receivables	
317 Investments	
318 Cash & Fund	
32 Liabilities	
321 General Fund	
322 Capital Grants received from Central/ State Government	
323 Payables	