

## Terms of Reference for Conducting Internal Audit

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### 1- Background:-

U.P. Power Sector Reforms Scheme has trifurcated the erstwhile UPSEB viz. U.P. Power Corporation for Transmission & Distribution work. U.P. R.V.U.N.L. for Thermal generation and J.V.N.L. for Hydro generation. KESCO a subsidiary was separated w.e.f. 15.01.2000 to look after the distribution work of Kanpur City. The distribution work of Power Corporation was further transferred to four Discoms w.e.f. 12.08.2003 U.P. Power Sector Reform (Transfer of Distribution undertaking scheme 2003 dt. 12.08.2003 namely:-

1. Madhyanchal Vidyut Vitran Nigam Ltd.
2. Poorvanchal Vidyut Vitran Nigam Ltd.
3. Dakshinanchal Vidyut Vitran Nigam Ltd.
4. Pashchimanchal Vidyut Vitran Nigam Ltd.

The Corporation of U.P. Power Corporation, and under splitting in KESCO & four Discoms were mandated by the notification GOUP. These notifications correspond to the headwise opening balances to be taken by the concerned company. Therefore the companies staffed with those gross opening balance in the broader head of accounts aforesaid companies are being prepared as per the requirements of Indian Companies Act 1956 and companies are being prepared as per the requirements of Indian Company Act 1956 as per the provision of the Electricity (Supply) Act 1948 as well as ESAAK 1980.

The function of UP Power Transmission Corporation Ltd. have been ordered to be concerned w.e.f. 01.04.2007 (Pending finalization of Transfer Scheme) The work of UPPCL is still being by the existing officers/official of UPPCL.

### Objective:-

The management of UPPCL/Transco has decided to conduct Internal Audit through outside agencies w.e.f. 01.04.2007. As per decision of the managements. The very prime objective of management is to cover up all the areas of the activities under Internal Audit for which detailed scope of works has been formulated (Appended with this TOR). The Internal Audit will aim at ensuring proper and full compliance of rules, orders, procedures as prescribed and to avoid inefficiencies as well. The objective of getting the Internal Audit work through outside agencies is to get maximum benefit of professional skills and also to meet out the requirement of various enactment e.g. CARO 2003 (Amendment 2004) Indian Companies Act 1956 as regards to provision of audit committee and Auditors report of Govt. Companies and provisions of Income Tax, Fringe Benefit Tax/Vat etc.

Accounting Set-up of Organization of UPPCL/UPPTCL & Subsidiaries (Discoms). Up-bottom View.

Sl. No.	Level	Accounting function
1.	Company H.Q.	Receipt/payments/Personal payments/Establishment/funds management etc. Initial accounting – Maintenance of Cash Book, Sectional journal & other related accounting records Compilation of Accounts. Balance sheet preparations etc.
2.	ZONES	Initial Accounting. Maintenance of Cash Book, Sectional Journal others related accounts records. compilation of MTB of units under controls.
3.	Circle	Initial Accounting, Maintenance of Cash Book, Sectional Journal & other related accounts records etc.
4.	Division	Initial Accounting, Maintenance of Cash Book, Sectional journal & other related accounts records etc.
5.	Sub-Division	Initial Accounting Maintenance of pay & day Cash Book & other related records etc.

➤ Circle which are working as drawing & disbursing units.

**Scope of work :**

Empanelled firms of Chartered Accountants will be required to examine and check the Books of Accounts and records incidental of the working of company Head Quarter/Zone/Circle/Division/Sub-Division concerned as per list enclosed at annexure- A, Which is forming part of scope of work and this TOR. The empanelled firms of Chartered Accountants will also be required to complete the initial audit work and submit the Internal Audit Report within the time stipulated as mentioned against the units/offices as per annexure-B. The irregularities noticed found will be grouped under the following sub heads.

1. Serious financial irregularities – Which results in financial loss to corporation i.e. embezzlement and excessive use of financial power and expenditure over and above budgeted limits.
2. Normal irregularities financial irregularities – diversion of funds and irregularities which cause temporary loss to the corporation.
3. Procedural irregularities which resulted due to non compliance of prescribed procedures- Internal Audit report shall be submitted to the Zonal Accounts Officer concerned alongwith the pre-receipted bill of internal audit work done.

### Made of Payment

Payment of Internal Audit work done in respect of Company Headquarter/Zones/Circle/Division assigned to the empanelled firms will be made as per the rates prescribed at annexure-B.

Empanelled firms of Chartered Accountants will be paid for the Internal Audit work conducted as per terms and conditions of TOR and on timely submission of Internal Audit report and Tax report separately along with the pre receipted bill. The pre receipted bill will be verified by the respective Zonal Accounts Officer and the payment of the bill will be made by the concerned company HQ.

No payments will be made for incomplete internal audit work and submission of incomplete Internal Audit report.

### Other Conditions

1. If the empanelled firms of Chartered Accountant do not undertake the internal audit work or complete the audit work in time, the management of UPPCL/ UPTCL/Discoms may assign the work to other firms of Chartered Accountants and the loss of work shall be considered as the penalty to original allotted of the works and the name of that particular firm will be removed from the list of empanelment and extra expenses incurred by the management in getting this work done shall be levied on the original allottee.
2. The management of UPPCL/URPTCL/Discoms will have full right to oust any of the firm from empanelment without assigning any reason and also to change the units & offices allotted for internal audit work of empanelled firms.
3. If any embezzlement, fraud or financial irregularities is noticed/ found in units/offices for which internal audit work has already been conducted by the empanelled firms of Chartered Accountants, the said firm will also be ousted from the empanelment for future also.
4. Units/officer allotted for internal audit for one financial year will be changed in next financial year and efforts would be made to avoid rebate of unit/officer.

**Details Scope of work**  
**Forming the part of TOR**

(P)

1. As per Cash Book of the Units/Divisions, the month of the maximum payment/Transactions will be taken as Test Month.
2. All the transactions of the Test Month selected as above will be through checked and the retrospective and progressive effect of all the transactions of the test month will be highlighted. Further the transactions of other months of the year will also be test checked.
3. A **Transactions related to establishment:-** In this begaid the following transactions/documents will compulsorily be audited:-
  - i. Service Book (Pay fixation, leave availed, service verification, leave entitlement annual increment, last pay certificate etc.)
  - ii. Incumbency Register (New appointemnt/positing transfer, retirement etc.)
  - iii. Documents related to the transactions of stores material and T&P especially in connection with the issue of no dues certificate to the employees.
  - iv. Miscellaneous advances accounted for and disposed off against the officers and officials.
  - v. To tally the list of the employees going to be retired with their service book, personal the incumbency register.
  - vi. The position of the availability of GPF/CPF schedules and submission of consolidated statements to UP Power Sector Employees Trust so that. Trust may issue the GPF/CPG slips well in time.
  - vii. To ensure that all the papers required for pensionary benefits of the retired as well as of the deceased employees, as per rules and their timely submission to the competent authority so that the objections, if any, may be removed timely.
- B. **Transactions related to Works:-**
  - i. Through clicking of the transactions of main cash book and subsidiary cash book (Pay & T.A.) and physical verification of the cash as per balance of the cash book.
  - ii Verification of the transactions of S.I. 1 to 4 with the related vouchers and invoices.
  - iii Checking of the stock accounts issue and receipt of stock and T&P.
  - iv Checking of Physical verification reports of the stores material and T&P.
  - v Checking of the ERD/Suspense Register with the cash book and monthly accounts.
  - vi Assessment of the F.B. Tax, deduction of Income Tax at sources and their timely returance to appropriate authorities.
  - vii Accounting, adjustment and closing of P.I. & T.I.s.
  - viii Checking of the Register of Fixed Assets, Plant, working progress to capitalize the assets.
  - ix Checking of monthly accounts with the balances of subsidiary books and records.

- x Checking of the budget provisions, tender, work orders, supply orders, estimates and their administrative and financial approval.
- xi Checking of the pending cases with the courts vis-a-vis accruing of contingent liability.
- xii Checking of the log book of the Can/Jeep etc. (Deptt. vehicle).
- xiii Checking of the papers related to the Bank Reconciliation statement of the banks of the division/unit and actions and accounting their of the month.
- xiv Checking of reconciliation of revenue realisation and its remittances with revenue cash book and tith main cash book at the end of the month.
- xv Checking of the particulars of R-4 & R-5 with the cash book and bank statement.
- xvi Checking of the reconciliation of AG-33, AG-34.
- xvii Checking of the Register of ATD/ATC, Debit note/Credit note, WMDR/ WMCR with cash book, monthly accounts and its accounting after adjustment if any and confirmation as the case may be.
- xviii Checking of Pay bill Register/T.A. bill Register.
- xix-(a) Checking of the Register of receipts/issue of M.B..
- xx Checking of the final payment cases of pension/GPG/CPF.
- xxi Checking of accounting of the payment of interest and repayment of loans and loan/grants/subsidy in accordance with the Loan agreement/instructions of Govt. orders (in case of Co./Discom H.Q./offices). It should also be checked in accordance with the order issued by UPPCL/Discoms.

**C- Checking of the records, documents related to Revenue**

- i Sanction of Load with records/register.
- ii Register of the agreement of consumers.
- iii Reports of new connection released at division/sub-division level.
- iv Ledgerisation as per division/sub-division records.
- v Issue of first bill of new consumers.
- vi The following issues related to Revenue Assessment:-
  - (a) 100% checking of the bills of heavy consumers and their posting in consumers ledgers.
  - (b) To check that division has issued 100% bills of all the consumers and their posting in consumers ledgers.
  - (c) To check applicability and implementation of Tariff.
  - (d) Checking of the N.R., I.D.F. bills & bills revision Register.
  - (e) Revenue assessment in case of theft, paid, regular checking and burnt & jammed meters.
- vii The following issues in connection with revenue receipts.
  - (a) Checking of Revenue Cash Book (Computer/Manual both).
  - (b) Checking of reconciliation of Revenue Cash Book and revenue realisation statement.
  - (c) To check whether the revenue received from the consumers has been deposited in division timely and remitted in time to the bank also.
  - (d) Checking of the remittance deposited in bank on the basis of bank statement.
- viii The following issues related to dishonored cheques.
  - (a) Checking of minus entries in Revenue Cash Book.
  - (b) Checking of charging the amount of dishonored cheques, bank charges surcharge to the consumer concerned.
  - (c) Checking of the realization of the amount or dishonored cheques (by cash banks draft).
- ix **Other revenue matter to be checked:-**
  - (a) Checking of input/output data of computer/manual billing.
  - (b) Checking of the cases of disconnection of defaulter consumers.
  - (c) Checking the case of permanent disconnection and waiver of fictitious dues.
  - (d) Checking of the maintenance of the records/documents required as per section and section 5.
  - (e) Investigations of the appeals and Shamon Shulk.
  - (f) Checking of the records relating to waiving off the LPS by Govt./one to settlement.
  - (g) To check the case of the electricity dues received from consumers in instalment.
  - (h) To check the bills of temporary connections and realisation related thereto.
  - (i) To check bank reconciliation statement of the Revenue Cash Book with B account

- (j) Old and pending case of embezzlement.
- (k) Cases of the sanction of the load reduction.
- (l) Cases of the sanction of the load reduction.
- (m) Security received from the consumers and interest thereon and its accountal.
- (n) Checking of the commercial statements (R-1, R-2, CS-3, CS-4, SG-iv).
- (o) Implementation of orders related 'o Revenue' receipts issued by UPPCL.
- (p) Checking of the Register of money Receipt Books from HQ and its issue to collecting agents.
- (q) Checking of the used receipt books and its return.

**Other Important Matters:-**

1. Through checking of the agreements of sale, purchase of energy at Central State level, Wheeling charges (Receivable & Payable), Surcharge (Receivable Payable), Rebate (Receivable & Payable), U.I. charges/Reactive energy charge (Receivable & Payable), Sale/Purchase/Reconciliation of Co-generation accordance with the instruction and cases/guidelines prescribed so far by the central/State Electricity Regulatory Board/the management/NRPC and account of these.
2. Checking of the statement of Annual Revenue Requirement (ARR) submitted, Corporation/Discoms presented to UPERC.
3. Checking of the agreements made for sale/purchase of energy and its impact of accounting.

The Internal Auditors while conducting Internal Audit will also ensure that accounts and in related accounting records all and required procedures have been complied with in accordance with CARO 2003 (Amended 2004), Accounting standards and reports of statutory and supplementary audit of A.C..

# Test Check List

(12)

Name of Unit----- Period from ----- to -----

Name of Firm/ Chartered Accountant -----

S.No.	Requirement as per T.O.R.	Report
1	Test Month	
2A	Transactions related to Establishment	
i-	Service Book (Pay fixation, Leave availed, Service Verification, Leave entitlement, Annual Increment, Last Pay certificate etc.	
ii-	Incumbency Register (New appointment /posting transfer, retirement etc.)	
iii-	No dues Certificate	
iv-	Miscellaneous Advance accounted for and disposed off against the officers and officials.	
v-	Retired as per their service book, personal file, incumbency register.	
vi-	G.P.F/C.P.F Schedules submission of consolidated statement to U.P. Power Sector Employees trust.	
vii	Pensioners Benefits of the retired as well as of the deceased employees as per rules and their timely submission to the competent authority so that the objection, of any, may be removed timely.	
2B	Transactions related to works.	
i-	Thorough checking to the transactions of main cash book and subsidiary cash book (Pay & T.A) and physical verification of the cash as per balance of the Cash Book.	
ii-	Verification of the transaction of S.J-1 to S.J-4 with the related vouchers and invoices.	
iii	Checking of the Stock Accounts-issue and receipt of stock and T&P.	
iv-	Checking of Physical verification reports of the stores material and T&P.	
v-	Checking of the ERD/Suspense Register with the cash book and monthly accounts.	
vi-	Assessment of the F.B. Tax at sources and their timely remittance to appropriate authorities.	
vii-	Accounting, adjustment and closing of P.I. & T.I.	
viii-	Checking of the Register of Fixed Assets, Plant, work in progress to capitalize the assets.	
ix-	Checking of monthly accounts with the balances of subsidiary books and records.	
x	Checking of the Provision Budget Provisions, tender, work orders, supply orders, estimates and their administrative and financial approval,	



xi	Checking of the Pending Cases with Court vis-à-vis occurring of contingent liability.	
xii	Checking of the Log Book of the Car/Jeep etc (Deptt Vehicle)	
xiii	Checking of the papers related to the Bank Reconciliation Statement of the banks of the division/unit and actions and accounting their of.	
xiv	Checking of reconciliation of revenue realisation and remittances with revenue cash book and with main cash book at the end of the month.	
xv	Checking of the particulars of R-4 and R-5 with the cash book and bank statement.	
xvi	Checking of the reconciliation of AG-33, AG-34	
xvii	Checking of the Register of ATD/ ATC, Debit note/ Credit note, WMDR/WMDR with cash book/ monthly accounts and its accounts and its accounting after adjustment if any and confirmation as the case may be. Pay Bill Register	
xviii	Checking of Pay bill Register/T.A bill Register.	
xix(a)	Checking of the Register of receipts/ issue of M.B	
xx	Checking of the Final Payment cases of pension CPF/CPF	
xxi	Checking of accounting of the payment of interest and repayment of Loans and loan/grants/subsidy in accordance with the Loan agreement/instructions of Govt. orders (in case of Co/discom, H.Q/offices. It should also be checking in accordance with the order issued by UPPCL/Discoms.	
2C	Checking of the records documents related to Revenue	
i-	Sanction of Load with records/Register	
ii-	Register of the Agreement of consumers.	
iii	Reports of new connection released at division/sub-division level.	
iv-	Ledgerisation as per division/sub division records.	
v-	Issue of first bill of New Consumers	
vi-	The following issues related to Revenue Assessment	
a.	100% checking of the bills of Heavy consumers and their posting in consumers, ledgers.	
b.	To check that division has issued 100% bills of all the consumers and their posting in Consumers Ledger.	
c.	To check applicability and Implementation of Tariff.	
d.	checking of the N.R., I.D.F., A.D.F. Bill & bills Revision Register.	



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e.	Revenue assessments in case of theft, raid, regular checking and burnt & jammed meters.	
vii	The following issues in connection with revenue receipts.	
a.	Checking of Revenue Cash Book. (Computer/Manual Both)	
b.	Checking of reconciliation of Revenue Cash Book and revenue Realisation statement.	
c.	To check whether the revenue received from the consumers has been deposited in division timely and remitted in time to the bank also.	
d.	Checking of the remittance deposited in bank on the basis of Bank Statement/Cash Book.	
vii	The following issues related to Dishonored Cheques.	
a.	Checking of minus entries in Revenue Cash Book.	
b.	Checking of charging the amount of dishonored cheques, bank charges and surcharge to the consumer concerned.	
c.	checking of the realization of the amount of dishonored cheque (by cash or bank draft)	
ix	Other revenue meter to be checked	
a.	Checking of input/output data of computer/manual billing.	
b.	Checking of the cases of disconnection of Defaulter Consumers.	
c.	Checking the cases of Permanent Disconnection and waiver of fictitious dues.	
d.	Checking of the maintenance of the records/documents required as per section 3 and section 5.	
e.	Investigations of the appeals and 'Shanan Shulk'.	
f.	Checking of the records relating to waiving of the LPS by Govt./one time settlement.	
g.	To check the cases of the electricity dues received from consumers in installments.	
h.	To check the bills of temporary connections and realization related thereto.	
i.	To check bank reconciliation statement of the Revenue Cash Book with Bank account (Revenue).	
j	Old & Pending Cases of embezzlement.	
k	Cases of the sanction of the Load reduction.	
l.	Security received from the consumers and interest thereon and its accountal.	
m.	Checking of the commercial statement (R1, R2, CS-3, CS-4, SG-IV).	
n.	Implementation of orders related to Revenue receipts issued by UPPCL.	

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o	Checking of the register of money receipt books fro H.Q and its issue to the collecting agents.	
o.	Checking of the Used receipt books and its return.	
	Other Important matters:	
1.	Thorough checking of the agreements of sale, purchase of energy at Central & state leave, wheeling charges (Receivable & Payable), Surcharge (Receivable & payable), Rebate (Receivable & Payable), Sale/Purchase /Reconciliation of Co-generation in accordance with the instructions and rates/guidelines prescribed so far by the central/State electricity regulatory Board/ the management/NRPC and accountal of these.	
2.	Checking of he statement of Annual Revenue Requirement (ARR) submitted by Corporation/Discoms presented to UPERC.	
3.	Checking of the agreements made for sale/purchase of energy and its impact on accounting.	

The internal Auditors while conducting Internal Audit will also ensure that in accounts and in related accounting records. All and required procedures have been complied with in accordance with CARO 2003 (Amended 20040, Accounting standards and reports of statutory and supplementary audit of AG.

विशेष ध्यान दिये जाने वाले एवं पृथक से प्रमाणित किये जाने वाले बिन्दु/पहलू।

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1. सम्प्रेक्षा अवधि Test Month का उल्लेख तथा Test Month के सभी मदों के 100% transaction के सत्यापन का प्रमाण।
2. सम्प्रेक्षा प्रारम्भ करने की दिनांक को व्यय खाता, राजस्व खाता 'पुजीगत प्राप्ति खाता' की रोकड बही लिखे जाने की स्थिति एवं सम्प्रेक्षा प्रारम्भ के पूर्व माह तक की उपरोक्त रोकड बहियाँ लिखी गयी है तथा उपलब्ध अवशेषों का प्रमाण अंकित किया गया है अथवा नहीं।
3. राजस्व रसीद बुक Issue & Receipt back के रजिस्टर का रख-रखाव। फेंचाईजी को जारी रसीद बुकों की वापसी की स्थिति। Test Month तक उपयोग की गयी राजस्व रसीद बुक का उनकी तृतीय/द्वितीय प्रति से प्राप्ति का मिलान किया जाना तथा 100% धनराशि खण्ड की राजस्व रोकड बही में प्राप्त होने का प्रमाण।
4. Fund Control Register रख-रखाव तथा Test Month के व्ययों की प्रविष्टियों का रजिस्टर से सत्यापन एवं उपलब्ध मदवार अवशेषों की स्थिति।
5. Test Month में खण्ड/उपखण्ड अधिकारियों द्वारा क्रय तथा कार्य आदेशों के अनुक्रम में उनकी प्राप्ति/कार्य सम्पादन का अवर अभियन्ता के I-S तथा माप-पुस्तिका से सत्यापन का प्रमाण
6. सम्प्रेक्षा अवधि में जारी सभी (स्थायी/अस्थायी) नये कनेक्शनो का Ledgerisation, Billing प्रारम्भ होने एवं प्रथम बिल निर्गमन का प्रमाण एवं Ledgerisation हेतु लंबित संयोजनों की सूची (यदि कोई हो)
7. अनादृत चेकों की रोकड बही में (-) प्रविष्टि, उपभोक्ता लेजर में डेबिट प्रविष्टि तथा अगला बिल नियमानुसार जारी होने के सत्यापन का प्रमाण।
8. सम्प्रेक्षा सम्पन्न होने तक खण्ड में कार्यरत अवर अभियन्ताओं का विवरण एवं अवर अभियन्ता वार स्टाक एवं टी0 एण्ड पी0 लेखों के प्रस्तुतीरण की स्थिति।
9. पूर्व सम्प्रेक्षा में Non-put up अभिलेखों का विवरण एवं उनकी 100% सम्प्रेक्षण का प्रमाण।
10. Test Month के भुगतान किये गये अधिष्ठान बीजकों का पे-स्लिप तथा सेवापुस्तिका में अंकित वेतन निर्धारण (जो उपमुख्यलेखाधिकारी से विदीक्षित है) से जाँच सत्यापन का प्रमाण।
11. Test Month में नगद व्यय, समायोजन प्रविष्टियों तथा CS-3/ CS-4 का Monthly account में उचित लेखांकन के सत्यापन का प्रमाण। सम्प्रेक्षक द्वारा उपरोक्त निर्देशानुसार सम्प्रेक्षा संपादन कर प्रत्येक बिन्दु पर प्रतिवेदन में प्रमाण पत्र अंकित किया जाना एवं प्रतिवेदन सम्बन्धित इकाई व सम्बन्धित उपमुख्यलेखाधिकारी को प्रस्तुत करने से पूर्व इन बिन्दुओं पर चर्चा किया जाना अनिवार्य होगा।

Category	Name of the Units	Time stipulated (Nos. working days)	Proposed rates for one Test month/one year
1	2	3	4
A	Company Headquarter Electricity Distribution Division (Urban/Rural) & other like units.	20 days	Rs. 25000.00
B	Electy. Store Division Secdary works Division/Workshop Division/Electy. Test Division/Electy. Transmission Division/Civil Distribution Division/Test & Commisioning Division/Taj Trapeziam Division/Civil Transmission Division/Electricity Construction Division & other like units.	12 days	Rs. 15000.00
C	O/O C.Z.E/O/O Chief Engineer (Transmission)/Zonal Accounts Office (Distribution/Transmission/M M) Distribution Circle/Store Circle/Civil Circle/Works Circle/C.B.S.E. Unit/Tarj Trapeziam Circle/Chief Engineer (Planning/g M.M./Transmission Design & other like units)	60 days	Rs. 7500.00

Submission of Internal Audit Report/Tax Report-within 15 days of completion of Internal Audit work to respect of all units of A,B, & C category.

Note:-

In addition to proposed rates as above. The empanelled firms will get TA & DA as per rates decided and enclosed as Annexure-B.1.