

# **Internal Audit – Power Industry**

**Cma Zitendra Rao  
B.Com., FCMA, FCA  
Hyderabad – India  
[10087rao@icmaim.in](mailto:10087rao@icmaim.in)**

# Cost Audit – Generation of Electricity

## **Our Journey ....**

- **Overview of Internal Audit**
- **Overview of Power Industry**
- **Approach for Conventional / New era of Internal Audit**
- **Issues of Importance – Discussion**

## Overview – Internal Audit

- *Sec.138 of the Companies Act 2013 read with Companies (Accounts) Rules 2014 talk about giving specific teeth to a Cost Accountant to act as IA*
- *This function involves **examination** and as well **evaluation** of the activities.*
- **Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.**
- **It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of**
  - **Risk management,**
  - **Control, and**
  - **Governance processes.**

## Overview – Power Industry

- **Companies engaged in Electricity Generation/Transmission and Distribution are covered for discussion.**
  - **Conventional/Thermal**
    - **Coal Based**
    - **Gas Based**
    - **Bio-Mass based**
  - **Non Conventional**
    - **Hydel**
    - **Wind**
    - **Solar**

# Internal Audit – Issues of Importance

## ➤ Coal Based Power plants

- Transportation facilities up to and with in the Unit
- Coal Handling system – Inventorising (!) the cost
- Input – Out put ratio
- Ash handling aspects – Flay ash Realization

## ➤ Hydel/Solar/Wind Based Power plants

- Efficiency Measurement
- Capacity Utilization
- In case of Hydel - Water Collection facilities, Forebay, Generation facilities, Switch Yard can be the studied with focus

## ➤ Gas Based Plants

- Identification of Notional Costs between Gas Turbine and Steam Turbine
- Evaporation Losses in case of Naphtha

## ➤ Biomass Related

- Inventories and the respective Valuations
- Social aspects and Entrepreneurial aspects.

# Internal Audit – Issues of Importance

## ➤ Income Related

- Late Realization of Sale proceeds
- Incentives
- Carbon Credits related income - At times effect True and fair view.

## ➤ Common

- Fuel accounting
- PPA Clauses
- Down Time
- Insurance is the key cost – Loss of Profit Policy
- High debt equity ratio is the Risk factor

# Internal Audit – Issues of Importance

## ➤ No Sampling Please

- BRS – Statutory aspects
- Forex – Related party transactions
- Where the Internal controls are weak.

## ➤ Risk Assessment

- Risk Assessment and Control activity are Twins
- CSA – Control Self Assessment – Employees involve in finalizing the adequacy of controls and identifying the weaknesses.

## ➤ Line Maintenance is the critical area for Transmission

## ➤ Proper Billing is the key aspect in Distribution



THANK You

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