

REVENUE AUDIT MANUAL

ON

ELECTRICITY DUTY

**FOR USE OF I.A. & A.D. ONLY
OFFICE OF THE ACCOUNTANT GENERAL
(COMMERCIAL AND RECEIPT AUDIT)
HYDERABAD – 500 004.**

**REVENUE AUDIT MANUAL ON
ELECTRICITY DUTY
ANDHRA PRADESH**

ISSUED BY

**THE ACCOUNTANT GENERAL (COMMERCIAL AND RECEIPT AUDIT),
ANDHRA PRADESH, HYDERABAD-500 004.**

PREFACE

The audit of Electricity Duty (Receipts and Refunds) is being conducted in the State of Andhra Pradesh from 1977-1978. This Manual on audit of Electrical duty in Andhra Pradesh State has been prepared in compliance with the instructions of Comptroller and Auditor General of India. The Manual is updated duly incorporating latest changes in this regard.

This Manual is intended to guide the officers and staff both in Head quarters and in the field in the audit of Electricity duty. However, the Manual is not a substitute to the Andhra Pradesh Electricity duty Act 1939 and Andhra Pradesh Electricity duty Rules, 1939 and Rules made there under from time to time. Those officers and staff engaged in the audit of Electricity duty receipts should acquaint themselves fully with the provisions of the Acts, Rules made there under and other procedural instructions issued by the State Government from time to time.

State Receipt Audit (Headquarters) section shall be responsible for keeping the manual up to date. Errors or omissions, if any, noticed may be brought to the notice of Accountant General (Commercial And Receipt Audit), Andhra Pradesh, Hyderabad. Suggestions for the improvement of the manual are also welcome.

HYDERABAD
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ACCOUNTANT GENERAL (C & RA),
ANDHRA PRADESH,
HYDERABAD –500 004.

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CHAPTER – I
INTRODUCTION
CONSTITUTIONAL RESPONSIBILITY OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA FOR AUDIT OF RECEIPTS

- 1.1** The audit of revenues is inherent in the powers vested in the C&AG of India by Article 151 of the constitution. Article 151 lays down that the reports of the CAG relating to the accounts of the Union and State shall be submitted to the President or the Governor of a State as the case may be, who shall cause them to be laid before each house of Parliament or legislature of Union or a State. Thus the audit reports must relate to the totality of the accounts of the Union or a State. and this totality would include all receipts embracing the revenue of the Union and of the State.
- 1.2.** Section 16 of the CAG's (D.P.C) Act 1971 specifically enjoins upon the Comptroller and Auditor General to audit all receipts of the Union and of the States and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are duly observed. For that purpose the CAG is authorised to undertake such examination of the accounts as he thinks fit and to report thereon.
- 1.3.** Principles of Receipt Audit.

Audit of receipt is broadly governed by the general principles laid down in chapter-3 of section II of the Manual of Standing Orders (Audit). The instructions contained in this manual are supplementary thereto and describe specifically the procedure to be followed in the audit of duty on electricity.

- 1.4** Under Article 246 of the constitution read with entry 53, and 66 of list II (State list) of the seventh schedule, the State Governments are empowered to make laws for the levy of taxes and fees on the consumption or the sale of electricity. Entries 38 and 47 of list III concurrent list of the aforesaid schedule empower the union Govt. also to make laws on electricity and for the levy of fees thereon.

Accordingly, the levy of electricity duty and fee in A.P. is based on and regulated by the following Acts and Rules passed both by the Central and State Legislatures.

- (i) The Electricity Act, 2003
- (ii) The Indian Electricity Rules, 1956
- (iii) The A.P. Electricity (Duty) Act, 1939
- (iv) The A.P. Electricity (Duty) Rules, 1939
- (v) The A.P. Electrical Regulations, 1987
- (vi) A.P. Cinema (Regulation) Rules, 1970.
- (vii) The Electrical Wires, Cables, Appliances and Protection Devices and Accessories (Quality Control) Order, 2003.

The important definitions under Section 2 of the Electricity Act, 2003 are given below.

- i. 'Authority' means the Central Electricity Authority referred to in Sub-Section (1) of Section 70.

- ii. 'Board' means a State Electricity Board, constituted before the commencement of Electricity Act 2003 under Sub-Section (1) of Section (5) of the Electricity (Supply) Act, 1948 (54 of 1948).
- iii. 'Captive Generating Plant' means a power plant set up by any person to generate electricity primarily for his own use and includes a power plant set up by any Cooperative Society or associations of persons for generating electricity primarily for use of members of such Co-operative Society or associations.
- iv. 'Company' means a company formed and registered under the Companies Act 1956 (1 of 1956) and includes any body corporate under a Central, State or Provincial Act.
- v. 'Consumer' means any person who is supplied with electricity for his own use by a licensee or the Government or by any other person engaged in the business of supplying electricity to the public under this Act or any other law for the time being connected for the purpose of receiving electricity with the works of licensee, the Government or such other person as the case may be.
- vi. 'Electrical Inspector' means a person appointed as such by the appropriate Government under Sub-Section (1) of Section 162 and also includes Chief Electrical Inspector.
- vii. 'Electricity' means electrical energy a) generated, transmitted, supplied or traded for any purpose or b) used for any purpose except for transmission of a message.
- viii. 'License' means a license granted to any person a) to transmit electricity as a transmission licensee or b) to distribute electricity as a distribution licensee or c) to undertake trading in electricity as an electricity trader, in any area as may be specified in the license.
- ix. 'Licensee' means a person who has been granted a license.

1.5.

AUDITING STANDARDS

Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor that helps determine the extent of auditing steps and procedures that should be applied in; the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in "Auditing Standards" (2nd Edition, 2002) which, *inter-alia*, include the following:

A) Basic Postulates: The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and report on particularly in cases where no specific standards apply.

The Basic Postulates are:

- 1) The Supreme Audit Institution of India (SAI) should comply with the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.
- 2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.
- 3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.

- 4) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process, Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.
- 5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.
- 6) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.
- 7) The existence of an adequate system of internal control minimises the risk of errors and irregularities.
- 8) Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.
- 9) All audit activities should be within the SAIs audit mandate.
- 10) SAIs should work towards improving techniques for auditing the validity of performance measures
- 11) SAIs should avoid conflict of interest between the auditor and entity under audit.

B) General Standards: 1)The general auditing standards describe the qualifications of the auditor and the auditing institution so that they may carry out the tasks of field and reporting standards in a competent and effective manner. These standards apply to all types of audit for both auditor and audit institutions. While auditing, the auditor should be independent, competent and due care should be taken in planning, specifying, gathering and evaluating evidence and in reporting on findings, conclusions and recommendations.

2) The legal mandate provided in the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all premises and records relevant to audited entities and their operations and provides adequate powers to the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function, with a view to maintaining amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

C) Field standards (1): The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps and actions represent the rules of investigation that the auditor, as a seeker of audit evidence, implements to achieve a specific result.

(2) The field standards establish the framework for conducting and managing audit work. They are related to the general auditing standards, which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to reporting standards, which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report.

(3). The field standards applicable to all types of audit are:

- a). The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.
- b). The work of the audit staff at each level and audit phase should be properly supervised during the audit; and a senior member of the audit staff should review documented work.
- c). The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

i) Planning: The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) the following planning steps are normally included in an audit:

- a). Collect information about the audited entity and its organisation in order to assess risk and to determine materiality:
- b). Define the objective and scope of the audit:
- c). Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.
- d). Highlight special problems foreseen when planning the audit:
- e). Prepare a budget and a schedule for the audit:
- f). Identify staff requirements and a team for the audit: and
- g). Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

ii). Supervision:- The work of audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

1) The following paragraphs explain supervision and review as an auditing standard.

A) Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.

B) Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:

- a. The members of the audit team have a clear and consistent understanding of the audit plan.
- b. The audit is carried out in accordance with the auditing standards and practices of the SAI.
- c. The audit plan and action steps specified in that plan are followed unless a variation is authorised.
- d. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions
- e. The auditor achieves the stated audit objectives and
- f. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

2) All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review bring more than one level of experience and judgement to the audit task and should ensure that:

- a. All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.
- b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and
- c. Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3) This standard emphasis's the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

iii) Study & Evaluation of Internal Control: The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depend on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are

computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

iv) Compliance with Applicable laws and regulations: In performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports.

The following paragraphs explain compliance as an auditing standard.

- 1) Reviewing compliance with laws and regulations is especially important when auditing government programs because decision-makers need to know if the laws and regulations are being followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally government organisations, programs, services, activities, and functions are created by laws and are subject to more specific rules and regulations.
- 2) Those planning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.
- 3) The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results
- 4) In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgement, are appropriate in the circumstances. These audit steps and procedures should be designed to obtain sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.
- 5) Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity's internal controls and assess the risk that the control structure might not prevent or detect non-compliance.
- 6) Without affecting the SAI's independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

v) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditors judgment and conclusions regarding organization, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

- 1) The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.
- 2.) Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with

the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

3.) Adequate documentation is important for several reasons, It will:

- a. Confirm and support the auditor's opinions and reports
- b. Increase the efficiency and effectiveness of the audit.
- c. Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.
- d. Serve as evidence of the auditor's compliance with Auditing Standards
- e. Facilitate planning and supervision.
- f. Help the auditor's professional development.
- g. Help to ensure that delegated work has been satisfactorily performed, and
- h. Provide evidence of work done for future reference.

4.) The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor's proficiency, experience and knowledge.

vi). Analysis of Financial Statements: In all types of audit when applicable auditor should analyse the financial statement to establish whether applicable accounting standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

The auditor should thoroughly analyse the financial statements and ascertain whether:

- a). Financial statements are prepared in accordance with acceptable accounting standards;
- b). Financial statements are presented with due consideration to the circumstances of the audited entity;
- c). Sufficient disclosures are presented about various elements of financial statements; and
- d). The various elements of financial statements are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit, and on the knowledge and judgement of the auditor.

- 2). Where the SAI is required to report on the execution of budgetary laws, the audit should include:
 - a). For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity;
 - b). For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the previous year's financial statements.
- 3.) Where the SAI is required to report on systems of tax administration or systems for realising non-tax receipts, along with a systems study and analysis of realisation of revenue/receipts, detection of individual errors in both assessments and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

D) Reporting Standards: 1). On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

2). With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, modus operandi of the fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud

prevention and detection measures to safeguard against recurrence of fraud/serious financial irregularity.

3). The audit report should be complete. This requires that the report contains all pertinent information needed to satisfy the audit objectives, and to promote an adequate and correct understanding of the matter reported. It also means including appropriate background information.

4). In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it supports is that a deviation, an error or a weakness existed. However, except as necessary, detailed supporting data need not be included in the report.

5). Accuracy requires that the evidence presented is true and the conclusions be correctly portrayed. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported is credible and reliable.

6). The report should include only information, findings and conclusions that are supported by competent and relevant evidence in the auditor's working papers. Reported evidence should demonstrate the correctness and reasonableness of the matters reported.

7). Correct portrayal means describing accurately the audit scope and methodology and presenting findings and conclusions in a manner consistent with the scope of audit work.

8). Objectivity requires that the presentation through out the report be balanced in content and tone. The audit report should be fair and not be misleading and should place the audit results in proper perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or over emphasise deficient performance. In describing shortcomings in performance, the Auditor should present the explanation of the audited entity and stray instances of deviation should not be used to reach broad conclusions.

9). The tone of reports should encourage decision-makers to act on the auditor's findings and recommendations. Although findings should be presented clearly and forthrightly, the auditor should keep in mind that one of the objectives is to persuade and this can best be done by avoiding language that generate defensiveness and opposition.

10). Being convincing requires that the audit results be presented persuasively and the conclusions and recommendation followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognise the validity of the findings and reasonableness of audit conclusions. A convincing report can help focus the attention of management on matters that need attention and help stimulate correction.

11). Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical terms and unfamiliar abbreviations are used, they should be clearly defined. Both logical Organisation of the material and precision in stating the facts and in drawing conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as photographs, charts, graphs and maps etc.) should be used to clarify and summarise complex material.

12). Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much of details detracts from the report and conceals the audit opinion and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.

13). Being constructive requires that the report also includes well thought out suggestions, in broad terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard should be paid to the requirements of rules and orders, operational constraints and the prevailing milieu. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.

14). Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organisations and/ or Government who have to take requisite action.

CHAPTER 2

ORGANISATIONAL SET UP

2.1 The Andhra Pradesh Government in the Energy Department administers the provision of the Acts and Rules mentioned above through the Chief Electrical Inspector to Government of Andhra Pradesh, Hyderabad, who is the Head of the department in the rank of Chief Engineer. He is assisted by Deputy Chief Electrical Inspectors, Electrical Inspectors who hold Regional charges in Andhra Pradesh. At present, there are six inspecting Divisions located with three Headquarters at Hyderabad, and one each at Kurnool, Visakhapatnam and Vijayawada. These divisions are further sub-divided into Sub-divisions. There are 25 sub-divisions under control of above six divisions. Each sub-division is headed by Deputy Electrical Inspector who is assisted by Assistant Electrical Inspectors.

2.2. Functions : The A.P. Electrical Inspectorate is responsible for enforcement of the various provisions, under the Electricity Act, Indian Electricity Rules, A.P. Cinema (Regulation) Rules, A.P. Electrical Appliances quality control order, A.P. Electrical Licencing Regulations; and A.P. Electricity duty Act and Rules in the State.

The work or functions of the Inspectorate covers the following.

1. Statutory inspections of the Electrical Installations of the licensees and sanction holders for assessing Electricity Duty.
2. Scrutiny of the fresh proposals of drawings High Voltage (H.V) and Extra High Voltage (E.H.V) electrical installations of the consumers as well as additions and alternations to the existing installations under Rule 63 of Indian Electricity Rules, 1956.
3. Inspection and issue of Statutory approvals for items covered under item(2) above.
4. Annual inspections of all H.V. and E.H.V. consumers installations in a phased programme under rule 46 of Indian Electricity rules 1956.
5. Scrutiny of proposals for the installations of Neon signs and X-ray plants and inspections and issue of approvals as per Rule 71 & 73 of Indian Electricity Rules 1956.
6. Inspection of temporary installations concerned with exhibitions and public functions to ensure and certify that the installations are free from danger under section 54 of Electricity Act 2003.
7. Administration of A.P. Electricity duty Act 1939.
8. Scrutiny of proposals for the Electrical Installations of new and existing cinemas and videos inspections and issue of Electrical and fire certificates under A.P. Cinemas (Regulations) Rules 1970.
9. Investigation of fatal and non-fatal electrical accidents and reporting to the Government in cases of multiple fatal electrical accidents and suggestions to the supplier for minimizing number of accidents.

10. Issue of Electrical contractors licenses and competency certificates and permits to supervisors and wiremen.
11. Testing of R.S.S. meters, energy meters, rubber gloves, transformers oil samples, grade oil testing power of factor meter, trivector meter , frequency meter, ammeter, voltmeter, Energy meter, fire-extinguisher is being carried out at standard laboratory. Testing of customers' installations is carried out for leakage and also insulation resistance value of the equipment, at consumers, premises on consumers request at consumers cost.
12. Testing of Household electrical appliances covered quality control orders in the Standards Laboratory at Musheerabad.
13. Implementation of electrical wires, cables, appliances and Protection Devices and Accessories (Quality Control) Order, 2003.

ORGANISATIONAL CHART

CHIEF ELECTRICAL INSPECTOR TO THE GOVERNEMENT OF ANDHRA PRADESH, HYDERABAD

A. Deputy Electrical Inspector, Technical	B. Deputy Chief Electrical Inspector to the Government of AP.Hyderabad	C. Deputy Chief Electrical Inspector to the Government of AP., Hyderabad Rural.	D. Electrical Inspector, Hyderabad	E. Electrical Inspector, Kurnool	F. Electrical Inspector, Visakhapatnam	G. Electrical Inspector, Vijayawada
Discharging duties as PA to the CEIG	Deputy Electrical Inspectors at a) Ranga Reddy-I b) Ranga Reddy-II c) Ranga Reddy-III d) Nalgonda	Deputy Electrical Inspectors at a. Medak-I b. Medak-II c. Karimnagar d. Warangal e. Nizamabad f. Mahaboobnagar	Deputy Electrical Inspectors at a. Hyderabad b. Secunderabad Deputy Electrical Inspector standard laboratory and cinemas. Above offices are in the office of the CEIG, Hyderabad	Deputy Electrical Inspectors at a. Kurool b. Kadapa c. Nellore d. Tirupathi	Deputy Electrical Inspectors at a. Visakhapatnam b. Vizianagaram c. Rajamundry d. Kakinada	Deputy Electrical Inspectors at a. Vijayawada b. Krishana East c. Guntur d. Guntur West e. Eluru

CHAPTER 3**LEVY OF ELECTRICITY DUTY**

3.1 According to section 3(1) of A.P. Electricity Duty Act, 1939, every licensee in the State of Andhra Pradesh shall pay every month to the State Government in the prescribed manner, a duty calculated at the rate of six paise per unit of energy, on and in respect of all sales of energy (except sales to the Central Government for consumption by that Government) effected by the licensee during the previous month at a price of more than 12 paise per unit (and on and in respect of all energy which was consumed by the licensee during the previous month for the purposes other than these connected with the construction, maintenance and operation of his Electrical undertaking and which, if sold to private consumer under like conditions would have fetched a price of more than twelve paise per unit).

3.2 As per section 3(2) of the Act *ibid* a licensee shall be exempt from the duty under sub section (1) in any months, if in the previous month the total sales of energy effected by him at whatever price together with the energy consumed by him for purposes other than those connected with the construction maintenance and operation of his electrical undertaking did not exceed 16,666 units.

Provided that if at the end of the financial year, it is found that in such year the total sales of energy effected by the licensee at whatever price together with the energy consumed by him for purposes, other than these connected with construction, maintenance and operation of his electrical undertaking were not less than 2,00,000 units, the licensee shall pay the duty in respect of any month or months comprised in such year in which the total of the sales and of the consumption as aforesaid did not exceed 16,666 units.

3.3 As per G.O.Ms No: 117 Energy (RES), 13th October 2003. The Government of Andhra Pradesh shall levy duty with effect from, the 17th July,2003 at the rate of 25paise per unit on the power generated or consumed or sold by the consumers who have captive generating sets of aggregate capacity of 1000KVA and above.

3.4 As per G.O.Ms No: 123 energy (PR-III) 28th October 2003. The Government of Andhra Pradesh shall exempt permanently from payment of electricity duty payable under sub-section (1) of section 3B of the said Act the units of Ferro Alloys in Andhra Pradesh in respect of power generated and consumed by them, subject to the condition that the electricity generated shall be used fully by them only

CHAPTER 4**CALCULATION OF ELECTRICITY DUTY**

4.1 As per section 3 (1) of A.P.Electricity duty Act 1939 duty is to be calculated at six paise per unit of energy on and in respect of all sales of energy.

Where the tariff does not involve metered supply of energy, the license shall compute the supply on a basic approved by the Chief Electrical Inspector to Government or shall provide and maintain a suitable metering equipment.

Provided further that where the charges payable by a consumer are not calculated solely on the number of units of energy actually supplied to him, the number of units of energy to the consumer shall be computed as that which according to the Tariff of the licensee will be equivalent to the amount realised by him from the consumer.

CHAPTER 5**MAINTENANCE OF RECORDS****5.1 Records maintained in the office of the Deputy Electrical Inspector**

The following records are maintained in the Office of the Deputy. Electrical Inspector.

1. Consolidated revenue register: It is posted from treasury challans in respect of all types of fees and electricity duty received in his office.
2. Medium and High Tension Installation Registers.
3. Cinema Register.
4. General Register of Inspection.
5. Periodical Inspection Register and Ledger.
6. Register of Neon Sign and X-rays plants.
7. Register of Accidents.
8. Electricity duty register.
9. Register of recovery of outstanding electricity duty
10. Register for refund of electricity duty.
11. Copies of monthly treasury challans received from licensees etc.,
12. Quarterly returns in form A, B, BB received from licensees. (form A showing information regarding energy supplied or consumed electricity duty levied thereon and actually paid to Govt. and amount of electricity duty written off)
13. Annual return in form C received from licensee (Showing the opening and closing balance amount of electricity duty) interest and penalty accrued and actually paid adjusted and written off).

CHAPTER 6**INSPECTIONS OF ELECTRICAL INSTALLATIONS ETC., BY THE ELECTRICAL INSPECTORS AND LEVY OF FEES.**

6.1. As per G.O.Ms No. 45, dt. 4-5-2002 issued by Energy (P.R.II) Department . An electrical installation other than the one belonging to or under the central Govt. and installation Mines, oilfields, and Railways which is already connected to the supply system of the supplier shall be periodically inspected and tested under Rule 46 by the Agency specified in Column (3) of the Table given below and at intervals specified in column (4) thereof

S.NO. (1)	Particulars (2)	Agency for Inspection (3)	Periodicity (4)
1.	E.H.V and H.V. Installation	Electrical Inspector or any Officer appointed to assist the Electrical Inspector.	one year
2.	M.V Installations	Supplier	Once in three years
3.	L.V.installations	Supplier	Once in five years
4.	(a) Neon sign and all other luminous tube installations.	Electrical Inspector or any officer appointed to assist the Electrical Inspector	One year
	(b) X-Ray and all high frequency installations	- do -	one year.

Provided that, the M.V. and L.V. installations of a E.H.V., H.V. service will be inspected and tested along with EHV or HV installation according to the periodicity shown in column (4) by the Inspecting Agency shown in Column (3).

Provided further that the M.V. and L.V. Cinematograph installations will be inspected and tested by the Deputy Electrical Inspector/Assistant Electrical Inspector in accordance with the Andhra Pradesh Cinema (Regulation) Rules 1970.

(2) The supplier shall report as required under Rule 46(1) (b) the conditions of the installation to the consumer concerned in a Form approved by Electrical Inspectorate and shall submit a copy of such report to the Electrical Inspectorate.

Note: The multistoreyed buildings more than (15) Mtrs. in height shall be inspected by the “supplier” as the said building have come under M.V.Installations.

6.2 Levy of fees :

- 1) Fee shall be levied on the licensee or owner for inspection examination and testing and generally for the services of an Electrical Inspector in accordance with the scales specified in the schedule as mentioned on the Annexure. The fee shall be charged for and paid in.
- 2) Where the prescribed fee cannot be charged for, in advance, the same will be demanded by a notice after inspection, examination or test has been completed and shall be paid by the owner or licensee, within thirty days from the date of receipt of notice.

Note: Under rule 46(2) (a) the prescribed fee is payable by owner on or before the first day of the preceding month to the month of inspection (For example: if the month of inspection is March, the fee shall be payable on or before the First February).

- 3) The inspection or test under Act and Rules shall be carried out on receipt of the Challan for the remittance of the prescribed fee and on confirmation from the licensee or owner that the installation is fully ready in all respects for carrying out such an inspection or test.

At the time of inspection if the installation is found not fully ready for carrying out necessary inspection or test, the licensee or the owner shall pay further fee equivalent to the full initial fee for carrying out another inspection or test.

- 4) No fees shall be levied in the case of second or subsequent inspection, examination or test made, provided that the installation does not involve any extension, or is not, in the opinion of the Electrical Inspector, necessitated by the neglect or failure of the owner or licensee to carry out within a stipulated time, any written order by the Electrical Inspector.
- 5) For inspection of any additions and/or alterations in an existing installation which has been inspected, fees shall be charged for such additions and or alterations only.

6.3. Mode of Payment

For inspections and tests carried out by Electrical Inspector fee shall be remitted by the payee into Government Treasury or the branches of State Bank of India or State Bank of Hyderabad in Andhra Pradesh and credited to Detailed Head of Account.

Major Head: .0043 Taxes and Duties on Electricity

Minor Head : 102 fees under Indian Electricity Rules,1956

Sub-Head : 01 Fee under Indian Electricity. Rules 1956

CHAPTER 7**AUDIT CHECKS**

Audit checks: The following are the checks to be exercised during audit of the various records.

Consolidated revenue Register: It should be seen

- 1) Whether the treasury challans received from licensee etc., in respect of electricity duty or fee have been correctly posted.
- 2) Whether inspection of electrical installations by the Inspectors have been carried out only after payment of prescribed fee.
- 3) Whether notices were issued periodically in time in each case, where it was due.
- 4) Whether electricity duty has been realized as and when due from persons consuming energy from their own source of generation.
- 5) Whether the refunds allowed were sanctioned by competent authority and that the amount refunded was actually initially deposited by the person concerned. This should be checked with original challans.

Fees for inspection: It should be seen

- 1) Whether the fees for inspection of various items have been correctly charged and accounted for.
- 2) Whether the treasury challans received in respect of the fees have correctly been posted in the prescribed registers.
- 3) Whether office maintains details of all categories of installations and their inspections and Audit should point out the loss of revenue on account of non collection due to non-conducting of inspection of installations and should cross verify the data with actual inspections

ANNEXURE
SCHEDULE
SCALE A

(Fee for Inspections and Tests under Rule 46 of the Indian Electricity Rules, 1956 for the periodicity shown under the table)

<u>S.No.</u>	<u>Particulars</u>	<u>Fee Rate</u>
1.	<u>EHV Installations</u> Transformers of all capacities including connected cables, lines and switch gear.	Rs.3,100 per unit
2.	<u>H.V Installations</u> a) Transformers and generators of capacity (including cables, lines and switch gear) i) Upto and including 500 KVA ii) Above 500 KVA Subject to a maximum fee of Rs.31,000/- on item 1 and 2 put together. b) HV Equipment including cables, lines and switch gear. i) upto 1000KW ii) above 1000KW	Rs. 1250 per unit Rs. 1850 per unit Rs.1250/- Rs.1250/-+Rs.600/- for every 1000KW or part thereof in excess of 1000KW subject to a maximum fee of Rs.9,500/-.
3.	<u>M.V.Installations (including cables, lines and switch gear)</u> i) Upto 10KW ii) Above 10KW to 100 KW iii)Above 100 Kw.	Rs. 5/- per Kw Rs. 250/- Rs. 250/-+125/- for every 100KW or part thereof in excess of 100KW,subject to a maximum fee of Rs.9,500/-
4.	<u>L.V. Installation (including cables, lines and switch gear)</u> i) Upto 10KW. ii) Above 10KW to 100 KW iii)Above 100 KW.	Rs. 5/- per KW Rs. 250/- Rs. 250/-+125/- for every 100KW or part thereof in excess of 100KW,subject to a maximum fee of Rs.6,250/-

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| 5. | <u>Neon sign and other luminous tube installations</u> | Rs.250/-per <u>installation</u> |
| 6. | X-Ray and other similar High frequency installation. | Rs. 250/- per unit |

Explanation

1. Installation means by composite electrical unit used for the purposes of generating, transforming, transmitting, converting, distributing , utilizing energy.
2. A EHV service may consist of EHV installation, HV installations,MV installations and L.V.Installations.A HV service may consist of HV Installation(s) and MV Installation(s), and LV Installation(s) similarly a M.V.Installation may consist of M.V.Installation and LV.Installation.
3. The total inspection fee leviable to a consumer shall be the sum total of inspection fee for EHV.Installation(s), HV.Installation(s) MV Installation(s) and LV installation(s) assessed independently to the extent possible as prescribed above.
4. Kilo Volt ampere shall be taken as KiloWatt wherever the machine or equipment are so rated and Horse Power shall be taken as 0.75 KW for the purpose of computing the fees.
5. The equipments like capacitors, stabilisers, Boosters, Regulators, Reactors etc. Which are meant for system stability/voltage Regulation shall not be taken as load for the purpose of fee calculation.
6. Input voltage shall be the criteria for categorisation of an equipment under EHV/HV/MV/LV for fee calculation.

Scale B.

(Fee for inspection and tests under Rule 63 of Indian Electricity Rules, 1956)

The fee for inspection of EHV/HV/MV/LV, Neon sign and X-ray installations under Rule 63 and M.V.Installation under Rule 50-A of Indian Electricity Rules, 1956 shall be levied at the rate of 150% of the fee leviable for inspection under Rule 46 of Indian Electricity Rules 1956 at the rates mentioned in Scale–A.

Provided that a minimum fee of Rs.1250/- in case of EHV installation and Rs.650/- in case of HV installations shall be charged for any inspection.

Scale C.(Fee for approval of Electrical Installation drawings)

1.	<u>EHV Installations</u>	
	(a) Fresh Installation	Rs.3,750/-
	(b) Additions/Alterations in the existing installations	Rs.1,250/-
2.	<u>H.V Installations</u>	
	a) Fresh Installations	
	i) 33 K.V.	Rs. 1,900/-
	ii) 11 K.V.	Rs.1,250/-
	b) Additions/Alterations in the existing installation	
	i) 33K.V.	Rs.950/-
	ii) 11 K.V.	Rs.600/-

Scale D.(Fee for inspection under section 30of the Indian Electricity Act, 1910)

<u>Capacity</u>	<u>Fees</u>	<u>By whom payable</u>
For the inspection of installations coming under section 30 of the Indian Electricity Act, 1910	Rs.350/- per installation	the Owner

Scale E.

<u>Capacity</u>	<u>Fees</u>	<u>By whom payable</u>
Fee for the items not covered in the previous order and also in G.O.M's No's55, Energy and Forests(PR.II) Department, dt:25-3-94 (Standards Laboratory Fees G.O.)	Rs.1,250/- per unit	the Owner

Scale F.(Fee for tests for leakage –electric traction.)

<u>Capacity</u>	<u>Fees</u>	<u>By whom payable</u>
For the inspection and examination or any electric traction system including trolley wires and overhead equipment and tests or bounding and leakage currents	Rs.500/-per day subject to a minimum of Rs.1000/-	The licensee or owner of the Electric Traction system

Scale G.(Fee for for tests for leakage).

<u>Capacity</u>	<u>Fees</u>	<u>By whom payable</u>
For the inspection, examination or test of any distributing main or service line for the existence of leakage therein which may result in electrolysis or any other injury to any water gas or other pipes or any appliances in connection therewith	Rs.125/- for the first hour of test or part thereof and thereafter Rs.50/- per hour of test or part thereof subject to a minimum of Rs.350/-	a) In case leakage is discovered in the main distributing main or service line the owner thereof. b) In case leakage is not discovered the application on whose complaint the inspection, examination or test was made.

Scale H.(Fee for inspection of lines on consumer's permises)

<u>Capacity</u>	<u>Fees</u>	<u>By whom payable</u>
(a) For the Inspection of EHV and HV lines of cables upto 220KV, including any medium or low pressure lines carried out on the same supports as the high voltage lines.	Rs.125/-per KM or part thereof subject to a minimum of Rs.750/-.	The licensee or the owner of the lines or the applicant.
(b) For the inspection of medium low pressure lines or cables other than those in (a) above.	Rs.125/-per KM or part thereof subject to minimum of Rs.350/-	The licensee or the owner of the lines or the applicant.

Scale I.(Fee for inspection of licensee lines)

<u>Capacity</u>	<u>Fees</u>	<u>By whom payable</u>
For the inspection of routes of transmission lines in connection with a licensee application for.	Rs.125/- per KM of or part thereof subject to minimum of Rs.750/-	The Licensee
(a) Exercise of power of Telegraph authority under the Indian Telegraph Act, 1885 (Central Act 13 of 1885) as contemplated in section 51 of the Indian Electricity Act, 1910.		

(b) Approval under any of the clause
in the licence.

Scale J
(Fees for inspection under rule-82(5))

<u>Capacity</u>	<u>Fees</u>	<u>By whom payable</u>
For the inspection of site or grant of a certificate under rule 82(3) of the Indian Electricity Rules,1956.	Rs.350/-	The applicant

Scale K

Miscellaneous

- (i) For settlement of disputes (other than disputes pertaining to the meters under section-26 of the Indian Electricity Act, 1910) referred to the Electrical Inspector under the said Act or Rules made thereunder a fee of Rs.600/- per day or part thereof shall be levied, subject to a minimum of Rs.1,250/-
- (ii) For testing and installation for installation resistances to earth from the main terminals, a fee of Rs.500/- shall be levied.
- (iii) Where record pressure is taken on a consumers promises a fee of Rs.375/- for the first 24 hours, and further fee of Rs.250/- for every subsequent 24 hours, during which the consumer desires the record to be taken shall be levied.