

Statutory Advice under Section 86(2) of the Electricity Act, 2003

While reviewing the monthly information furnished by the distribution utilities with regard to sale of power and specifically reviewing the information provided vide Form 2.1(a), the Commission decided that the issues relating to audit and other services availed by the distribution licensees from the statutory auditors should comply with the following:-

- 1) The Board of each distribution licensee should constitute an Audit Committee to be chaired by an Independent Director. This Audit Committee should be mandated with the responsibility to identify and make recommendations for appointment of the statutory auditor and periodical review of the audit reports;
- 2) The distribution licensees may avail the services of the same statutory auditor for a maximum period of three years. Thereafter, the auditors may be appointed from amongst the auditors empanelled by C&AG for the appropriate category of companies;

Considering that GoNCTD is a 49% shareholder in the above distribution companies with requisite representation on the Board of Directors, the Commission is of the view that Govt. of NCT of Delhi may take up in the respective Boards of these companies for implementation of the above directions. Also, the Govt. nominees on the Boards of these companies may initiate appropriate action on behalf of the Govt. to ensure that requisite checks and balances and financial controls are exercised at the Board level, over and above those exercised by the Management of these companies.

This will be even more important if and when the Govt. of India decides to extend the benefits of various centrally sponsored schemes to these distribution utilities in terms of the Commission's statutory advice dated 1.2.2013.