

REPORT ON INTERNAL FINANCIAL CONTROLS

**KARNATAKA RENEWABLE ENERGY
DEVELOPMENT LIMITED, BANGALORE**

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I. Overview

INTRODUCTION

Section 134 (5) (e) of the Companies Act, 2013 requires, the Company to lay down Internal Financial Controls to be followed by the Company which helps in ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the Accounting records and timely preparation of reliable financial information.

DEFINITIONS

"**Board of Directors**" or "Board" in relation to a Company, means the collective body of Directors the Company. [Section 2(10) of the Companies Act, 2013]

"**Books or Books of account**" as per sub-section (12A) of Section 2 of Income Tax Act, 1961 means "Books or Books of account includes ledgers, day-books, cash books, account-books and other books, whether kept in written form or as print-outs of data stored in floppy, disc, tape or any other form of electro-magnetic data storage device."

"**Books of Account**" as per Section 2(13) of Companies Act, 2013 defines:

"Books of account" includes records maintained in respect of—

- (i) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
- (ii) all sales and purchases of goods and services by the company;
- (iii) the assets and liabilities of the company; and
- (iv) the items of cost as may be prescribed under section 148 in the case of a

company which belongs to any class of companies specified under that section;

“Financial Statement” as per Section 2(40) of Companies Act, 2013 in relation to a Company means a Statement which includes --

- (i) a balance sheet as at the end of the financial year;
- (ii) a profit and loss account for the financial year;
- (iii) cash flow statement for the financial year;
- (iv) a statement of changes in equity, if applicable; and
- (v) any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv):

“Internal Financial Control” as per Section 134(5)(e) of Companies Act, 2013 means” the policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguard of its assets, the prevention and detection of its frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.”

The objectives of this report are;

- To mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded.
- Financial reporting is accurate and reliable
- To ensure Company’s resources are used prudently and in an efficient, effective and economical manner.

- Resources of the Company are adequately managed through effective internal controls.
- A framework for an effective internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the Company's and to all Employees that they are responsible for adhering to those internal controls.
- To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Company's objectives through operational efficiency.

To accomplish the above objectives of Internal Financial Control, we have verified the following elements of Internal Finance Control :

1. Structure and culture of Organization;
2. Delegations of Authority;
3. Policies and procedures;
4. Trained and properly qualified staff;
5. Information Technology controls;
6. Review process e.g. internal audit;
7. Risk identification and assessment

1. **Structure and culture of Organization;**

Karnataka Renewable Energy Development Limited (KREDL) was established in 1996 as a nodal agency of the Government of Karnataka to facilitate the development of non-conventional energy sources in the state. It is registered under Companies Act 1956.

The primary objective of the company is to develop both on grid and off grid power projects as a supplement to conventional energy power projects. It also acts as liaison office between the independent power producers and Government in the state and centre.

At present KREDL is concentrating on the development of renewable energy sources such as small hydro, wind, biomass, cogeneration in sugar factories and solar and also helping the private entrepreneurs in development of these sources.

Government of Karnataka in its Notification No.DE 22 PSR 2002 dtd.13.5.2004 designated Karnataka Renewable Energy Development Limited (KREDL) as "The Designated Agency" to co-ordinate, regulate and enforce the provisions contained in the Energy Conservation Act within the State of Karnataka. The Government authorized KREDL to establish a separate department within the organization for implementing the provisions of the energy conservation Act and to take necessary steps for capacity building programs in KREDL with the assistance of Bureau of Energy Efficiency (BEE) established by the Government of India.

KREDL, for its functional operations has created RE resource wise internal sections and administration and accounts sections as below:

1. Wind Energy
2. Small Hydro
3. Biomass, Co generation and Waste to Energy
4. Solar Grid
5. Solar Off Grid – 1
6. Solar Off Grid – 2
7. Energy Conservation and Energy Efficiency
8. Administration and
9. Accounts

2. Delegations of Authority;

The Board of Directors delegated administrative and financial powers to the Managing Director in the 6th Meeting held on 15th Jan. 1997. These powers have been reviewed in the 14th Meeting of Board held on 27th Nov. 1999 and Delegated powers to incur expenditure of a capital nature up to Rs.10 lakhs and also enhanced to Rs. 2 lakh per case to incur expenditure on fairs and exhibitions. Further in 51st Board Meeting the Board sought details as "whether there is appropriate delegation of power and what kind of delegation of power is suitable for KREDL" In view of the board direction, a subject to delegate Administrative and Financial Powers to various officers was placed

before the Board in 52nd Board Meeting held on 02.03.2009. The amendments approved by the Board are made in to effective vide Official Memorandum No. KREDL/DAFP/ADM/2008-09/1326 dated 23.3.2009 (Ref 3).

It was noted that the present delegation of powers does not have any powers for acceptance of Tenders for awarding procurement of works, services, repairs and maintenance therefore a subject was placed before the Board in 71st Meeting held on 30.12.2013. The board decided to authorize the Managing Director to accept tenders for awarding procurement of works, services, repairs and maintenance upto Rs.1.00 Crores by following all the prescribed rules and procedures.

3. The Policy and Procedures :

❖ **The policy environment:** The State Government has enunciated forward looking policies to encourage rapid development of small hydro projects. The following elements are common for all power projects in the renewable energy sector.

i) Wheeling and banking facility: Karnataka Power Transmission Corporation Limited (KPTCL) allows wheeling & banking of electricity generated by all renewable energy power projects.

ii) Third party scale of power: KPTCL allows the sale of power to third party.

iii) Electricity tax: Electricity tax is exempted for a period of 5 years for captive consumption of power generated.

iv) Purchase price for the renewable energy power: Karnataka electricity Regulatory Commission (KEREC) fixes the purchase price for renewable energy power.

To establish a dynamic renewable energy sector in the state and to provide a framework for this sector Karnataka Renewable Energy Policy 2009-14 was published by GoK.

To harness the potential of Solar Resources in the State, Government of Karnataka has published a separate Solar Policy 2014-21.

4. Allotment Procedure:

- a. Standard Conditions for eligibility and terms and conditions of allotment have been developed and are made available along with the prescribed applications forms in web site.
- b. The applicants may propose to develop potential sites, which they may have on their own discovered and investigated called as self identified projects.
- c. A committee of experts constituted by the State Government headed by Additional Chief Secretary/Principal Secretary, Energy Department scrutinizes the applications to ascertain the financial and technical viability of the project and the ability of the applicant to raise the resources. The Committee makes a recommendation to the Government on the desirability or otherwise of granting capacity to the applicant. The Government, after due consideration of the recommendation sanctions or allots the capacity to the applicants.
- d. The applicant to whom capacity allocation is approved is expected to sign an agreement with State Nodal Agency. The agreement sets out the terms and conditions under which the development is allowed to take place.
- e. For Solar Grid Connected Projects, mainly KREDL is inviting tenders in reverse bidding process. The RFP are published in nation wide news papers to carry out the bidding process for selection of the Bidders to whom the Project(s) may be awarded. Bidders are allowed to bid for one or more Project(s) based on the Eligibility Criteria stipulated in this RFP. Separate agreements shall have to be entered for each Project with concerned electricity supply company (“ESCOMS”). “Other procedures are followed as per Solar Policy 2014-21”.
- f. Co-generation: The sugar factory has to submit a proposal to KREDL for setting up a cogeneration plant. The proposal should be accompanied with a feasibility report. The proposal and the feasibility report is scrutinized by KREDL and recommended to the Government of Karnataka for issuing a “No-objection certificate”. The sugar factory has to approach statutory authorities like the Pollution Control Board, Ecology and Environment Department and the Karnataka Power Transmission Corporation Limited etc., and obtain statutory clearances for the cogeneration project.

5. **Staff Details :**

To regulate the recruitment and service conditions of the employees, The Cadre, Recruitment, Probation, Promotion and Seniority Rules, 2001 (Cadre & Recruitment Rules) was approved in 21st Meeting of the Board of Directors of Karnataka Renewable Energy Development Limited (KREDL) held on 31.7.2001 and the same was adopted accordingly on the date of approval. Subsequently, it was also approved along with reclassified posts by the Government of Karnataka vide letter No.EN.48.NCE.2001 dtd.20.1.2006.

As per the approved Cadre, Recruitment, Probation, Promotion and Seniority Rules, 2001 the Company has absorbed the services of 46 employees on regular basis.

The activities of the Company have been increased in multifold. The Company is implementing various programmes of State and MNRE. To meet these works the Company has availed 12 Officers and Officials from Karnataka Power Transmission Corporation Limited (KPTCL) and also to help in day to day activities the Company has availed 70 personnel through outsource agency.

The Company has developed an internal system of hierarchy in file processing. The Technical and Non Technical (Administration and Accounts Sections) files are processed in following manner.

Technical	Non-Technical
Managing Director	Managing Director
General Manger (Tech)	General Manager (Admin)
	Chief Controller of Finance and Chief Administrative Officer
Assistant General Managers	Assistant General Manager-Accounts
Technical Officers/Assistant Technical Officers	Assistant Accounts Officer
First Division/Second Division Assistants	First Division/Second Division Assistants

The above hierarchy system in file processing ensures cross verification and reliability in decision making process.

6. Information Technology:

i.) Computerised Accounts: It is observed that KREDL has computerised its accounting process and using tally accounting package with multi-user features. It is strengthening data integrity and exercise greater internal control. KREDL uses the available multi user access controls in tally package. KREDL has suitable authorised users to access with the privileges for carrying out specific task. Example various user levels have been set, such as data entry, verification, authorisation and approval by senior officer to ensure data integrity.

ii.) MIS for Project Management and Contract administration: On review and interaction with MIS section revealed that various section are updating the data in time. The data hosted on the web site is validated resulting in data integrity. The net-work needs to be strengthened to have easy access with good speed; similarly the back-up of data and its periodical testing needs to be ensured. The feedback, complaints etc. needs to be analysed for timely decision making.

iii.) File Tracking System : To ensure timely process of applications and various correspondence File Tracking System has been adopted by Company. However, segregation of information is to be ensured.

7. Review process e.g. internal audit;

Internal Audit is an effective system which leads to improved accountability, ethical and professional practices, effective risk management, improved quality of output and supports decision making and performance tracking.

Internal audit ensures that the accounting and allied records have been properly maintained, the assets management system is in place in order to safeguard the assets and also to see whether policies and procedures are in place and are duly being complied with.

Company shall be required to appoint an internal auditor, who shall either be a chartered Accountant as may be decided by the Board to conduct internal audit of the functions and activities of the company.

The Company has appointed an external agency of chartered accountants for effective internal audit system with the following scope of audit :

- a) Audit of internal controls and evaluation systems of accounting.
- b) Audit of receipts and payments.
- c) Audit of Accounts as per Accounting Standards issued by ICAI and advise for accounting as per Accounting Standards.
- d) Advice of financial audit matters relevant to the Company.
- e) Advise on tax matters such as advance tax and other statutory payments to be made by the Company.

8. Risk identification and assessment :

The Company being a state nodal agency does not have any competitors for its activities and the risk involved for its activities are meagre in comparison. However, the following areas are to be reviewed for sustainable growth of organisation.

- i) The potential available for RE is going to be exhausted in future after allocation of the entire potential available.
- ii) The Company has setup 2 wind demonstration projects in Karnataka. Power generated is supplied to ESCOMs. Operation maintenance of plant has been entrusted to suppliers. However, the status report on

the O & M operations carried out by the company was not available. Reporting obligations needs to be strengthened and KREDL to get periodical feedback on the functioning of each plant / machinery, periodical tests carried out and its results, details of maintenance carried out and action required etc. It is essential to have comprehensive data on power generation and maintenance of each plant / Machine at the site to enable proper monitoring of efficiency of the plant / Machinery.

Insurance policy, if taken for the plant to mitigate losses that arise when disasters eventuate, the Company would have avoided the loss from fire of one 500 kWe Wind Turbine Generator in Mavinhunda Wind Project.

- iii) KREDL is establishing additional 8.4 MW capacity wind power project at Mavinahunda and 4.2 MW capacity at Sogi Power Plants on turnkey basis. This may help the organisation to be self sustained in future.

For Effective Financial Control, The Company has ensured :

- Physical verification of all Fixed Assets at reasonable intervals.
- Adequate Internal Control procedures are at place for maintaining proper records in respect of services.
- All undisputed statutory dues including provident fund, Employee State Insurance, Income Tax, Sales Tax, Service Tax, Rates and Taxes and other Statutory dues are paid within the prescribed time other than reported in internal audit report.
- The Company has complied with all applicable Statutory Laws, Rules and Regulations.
- No loan or deposits exceeding Rs. 20,000/- or more are taken or

accepted from any person otherwise than by an account payee cheque or account [payee bank draft (section 269 SS of income tax act 1961).

- No loan or deposits exceeding Rs. 20,000/- or more are repaid otherwise than by an account payee cheque or account [payee bank draft (section 269 T of Income Tax Act 1961).
- No expenditure exceeding 20,000/- is made otherwise than by an account payee cheque or account [payee bank draft (section 40 A(3) of Income Tax Act 1961)

Accounting Policies :

The financial statements are prepared on accrual basis under the historical cost convention, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014, the Companies Act, 2013 (to the extent notified and applicable), applicable provisions of Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The Company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual, except Interest on Motor Cycle Advance.

(a) The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

(b) Financial Statements: Presentation and Disclosures:

These financial Statements have been prepared in accordance with the Generally Accepted Accounting Principles in India (GAAP) under the historical cost convention on accrual basis, except for certain tangible assets which are

being carried at re-valued accounts. These financial statements have been prepared to comply in all material aspects with the accounting standards specified under section 133 of the Companies Act, 2013. (The Act), read with Rule 7 of the Companies (Accounts) Rules, 2014.

Disclosure and Transparency

All operations are executed through Standard Operating Procedures in all functional activities. To ensure transparency, procurements have been made as per Karnataka Transparency in Public Procurement Act, 1999 and Rules 2000 through e-portal of Government of Karnataka. No discrepancies reported.

II. PROCESS NARRATIVES

NARRATIVE 1: REVENUE

Control Owner	Managing Director
Process Owners	Every officer below the rank of Managing Director.

Contents:

1. Revenue from application fees
2. Revenue from DPR Fees
3. Revenue From Fees For Time Extension, Name Change, Transfer Of Project And Facilitation Fees
4. Revenue from power generation

(i) REVENUE FROM APPLICATION FEES

- The developers willing to install Renewable Energy equipments needs to submit an application and the required documents that need to be submitted with the application along with the application fees as prescribed by the government through government order.
- The above said documents are required to be submitted at the inward section of KREDL.
- On receipt of such documents, the inward section is required to issue an acknowledgement to developer.
- In case cheque is given for application fees, a note stating that the application will be processed only subject to realization needs to be given.
- Application fees needs to be accepted only through Cheque or D.D. However, cash can be accepted for small differential amounts. In such a case, the cash needs to be collected by the cashier and issue receipt for the same.
- The cashier needs to maintain the cash collected separately and deposit the same to the bank within a day.
- The inward section is required to record the above details in a register maintained by them.
- In addition to the above, the details of cheque or D.D submitted along with the application needs to be noted in the register.
- All such details recorded in the register is to be updated in File Tracking System (*hereafter called as FTS*), an internal software designed to track the status of applications and other documents.
- The inward department is required to forward the applications received to the Managing Director twice a day.
- On receipt of such applications, M.D. verifies if all the documents updated in FTS is received and issues an acknowledgement to the inward section.
- After the applications are verified by M.D, the same is forwarded to General Manager.
- The fact of forwarding is recorded in FTS by M.D.
- The G.M issues an acknowledgement for receipt of the above documents to M.D.
- The G.M, after verifying the above forwards the same to Chief Controller of Finance (C.C.F) with a copy to A.G.M of concerned department.

- The fact of forwarding is recorded in FTS by G.M.
- C.C.F issues an acknowledgement to G.M for having received the above documents.
- The C.C.F or G.M, as the case may be, after verifying the applications, forwards the same to inward section.
- An acknowledgment for receipt of the same is issued by inward section to G.M or C.C.F, as the case may be.
- The details of such applications is recorded by inward section in a separate register maintained by them.
- After verifying that the entire documents forwarded are received back, the inward section forwards the same to concerned section.
- The same is updated in FTS and an acknowledgement from concerned section is received.
- The concerned section creates a file with unique file number in which the application and other related documents are kept.
- The concerned section, then, prepares a note sheet after scrutinizing the application fees details and forwards the note sheet along with the cheque to CCF.
- The CCF after verifying the same forwards the note sheet and cheque to AGM (Accounts) who in turn forwards that to the cashier.
- The cashier prepares a receipt which is issued to the developer and the details of the receipt is noted in the note sheet and is sent back to the concerned section.
- An acknowledgement is issued by the concerned section to the accounts department for receiving the same.
- Entries are recorded in tally referring to the receipt book. Hence, the date of recognition of revenue in the books is the date of receipt.
- Bank Reconciliation statement is prepared at regular intervals to ensure all the cheques presented are realized at bank.
- The concerned department proceeds with the technical evaluation of the proposal.
- In case the proposed project is technically strong but two or more applicants have applied for a project in same place, then the 1st applicant is allotted with the project and the remaining applicant's proposals are rejected mentioning the reason for rejection. Those applicants are given a right to verify the fact through RTI.
- The concerned section is required to verify the Net worth of the applicant. For this a certificate from Chartered Accountant needs to be obtained along with his financials.

- After verification of application and other documents by A.TO/T.O, A.G.M (Technical) reviews the same which is then forwarded to G.M(Technical). The G.M after his review forwards the same to M.D for final approval.
- The M.D reviews the above and forwards it to Government (Energy department) for approval.
- The Energy department, after full review of the application, forwards the file and allotment order to KREDL.
- The sanction order is then sent by KREDL to the developer.
- Hence can be concluded that there is no control lapse in accounting of application fees.

(ii) REVENUE FROM DPR FEES

- The developer after receipt of sanction order prepares a Detailed Project Report and submits the same to KREDL along with the prescribed fees.
- Receipt of Project report and the DPR fees follows same procedure of application as stated above till the same reaches the concerned department for review.
- The concerned department scrutinizes the project report and if the same is correct in all respect, a recommendation is forwarded to M.D for entering into agreement with the developer. (*Note: Before recommending to the M.D, the concerned department is required to conform from the accounts department that all the amounts due are received. The person recommending will be held responsible in case the balance amounts, if any, is not recovered*).
- Based on the recommendation, the M.D enters an agreement with the developer who then initiates the project.
- The date of recognition of revenue in the books of accounts of KREDL is the date on which M.D enters into agreement with the developer.
- Hence can be concluded that there is no control lapse in accounting of DPR fees.

(iii) REVENUE FROM FEES FOR TIME EXTENTION, NAME CHANGE, TRANSFER OF PROJECT AND FACILITATION FEES:

- For time extension a request in developer's covering letter is required to be submitted to KREDL along with the prescribed fees.
- For transfer an application in prescribed format needs to be submitted along with the prescribed fees for transfer.
- For change of name, certificate from Registrar of Companies needs to be submitted to KREDL along with the prescribed fees. It is mandatory to ensure that the CIN Numbers of both the companies are same.
- A request for issue of conformation letter to bank is submitted in the letter head of the developer along with the prescribed fees.
- The approval procedures, after submission of the request, follows same pattern as that of application.

(iv) REVENUE FROM POWER GENERATION

- The company generates income from sale of power generated using wind mills.
- There are meters attached to the wind mills which records the units of power generated in real time basis.
- There is an office situated at the place where Wind mills are installed to ensure complete control. The units generated are recorded at this office regularly.
- The Wind section obtains the details of power generated on a daily basis. The same is recorded in a register maintained by them.
- On the 1st day of every month, A.E.E (from ESCOM) and Operation and Maintenance engineer form KREDL visits the place to take a note of power generated during the previous month.
- The recordings are noted in a statement called as B-Form.
- B-Form is signed by AEE, O&M and Executive engineer to ensure its accuracy.
- Based on the B-Form submitted, invoice is raised within 15th of every month.
- In order to secure the payments, a Letter of Credit is obtained from ESCOMs.
- Signature of CCF is obtained on the invoice prepared by accounts department which is physically handed over to ESCOM.
- Before handing over the invoice to ESCOM, the details of such invoice is required to be noted in the register maintained by the outward section.
- On handing over the invoice to ESCOM, an acknowledgement is required to be collected from them. Such acknowledgement is given to outward section which is responsible to maintain such acknowledgements.

Notes:

1. *The term M.D includes Personal Secretary of M.D.*
2. *Only important documents are forwarded to CCF, else the same is directly forwarded to concerned sections.*

NARRATIVE 2: GRANT

Control Owner	Managing Director
Process Owners	Every officer below the rank of Managing Director.

Note: Grant is received by KREDL under different schemes which follow different procedure and has different terms and conditions. Hence, as a test check below projects are selected for audit.

Contents:

1. Grant – PICO
2. Grant – Veda Vignan

(i) PICO PROJECT

- PICO is an initiative for installations of small hydro generators which is capable of generating power to the extent of 1 K.W to 5 K.W.
- The Government approves the project through its sanction order.
- Based on the Government order, the entire amount of grant is credited to account of KREDL which is passed on to the beneficiaries by KREDL.
- Information regarding availability of grant is published in the news paper.
- The number of beneficiaries under this particular initiative is restricted to two hundred.
- Online applications are submitted by the beneficiaries.
- A print out of such application along with a D.D of Rs. 1,000 is sent to KREDL.
- Upon receipt of application and fees, the concerned section forwards the D.D to accounts department.
- An acknowledgement for receipt of D.D is issued by accounts department to concerned section.
- After verification of application by the concerned section, the technical officer is sent for site inspection.
- The technical officer is required to prepare a detailed inspection report based on the site inspection and submit the same to KREDL.
- A check list is required to be prepared by the inspection officer in order to ensure all the required documents are received.
- To ensure that the applications are not submitted by anonymous persons, I.D proof of such persons is obtained and verified.
- In addition to the above a photo of such persons along with the small hydro generator installed by them is taken during site visit.
- A letter from the person who has commissioned the generator is obtained and verified to ensure that the generators are complete and put to use by the beneficiaries.
- The government order requires that a minimum of Rs.1,50,000 is spent on the project to avail the benefits of grant. To ensure the same, expenditure bills along with a certificate from Chartered Accountant is obtained and verified.
- In order to ensure that the land in which the generator is installed belongs to the beneficiary, a document known as Record of Rights is obtained and verified.

- After all the aforesaid procedure is complete, the concerned section forwards the documents along with a note to G.M.
- The G.M verifies the same and forwards it to CCF for verification.
- The CCF in turn forwards the same to Accounts department for verification.
- After verifying the above, accounts department forwards the same back to GGF and CCF forwards it to G.M who then forwards it to concerned section.
- After the above process, a recommendation to M.D is sent for approving the release order.
- After approval, the accounts department deposits the amount of grant to the beneficiaries account and a letter conforming the deposit is sent.
- In order to avoid misuse of grant amount it is ensured that the amount is directly deposited in the loan account of beneficiary.
- After all the above process, a letter from beneficiary is obtained and verified to ensure that the amount deposited is credited in their account.

(ii) VEDA VIGNAN

- Veda Vignan is a initiative by government for providing grant for installation of Solar Cooker.
- Interested beneficiaries are required to submit an online application along with a detailed project report and proposal.
- The project report and proposal is physically handed over at the inward section which is then forwarded to M.D.
- The M.D in turn forwards the same to G.M.
- The G.M after then forwards the same to the concerned section.
- The concerned section reviews the proposal and request for documents if the same is missing.
- After this, the proposal is forwarded to MNRE though M.D.
- During submission of the proposal to MNRE, an outward number is given to ensure its submission.
- MNRE reviews the proposal and if it is of the opinion that all the documents submitted are correct, a sanction letter is forwarded to KREDL as well as beneficiary.
- The policy is such that the amount of grant is restricted to 30% of the cost of project.

Note: The cost of project is taken to be the amount submitted in quotation or the standardized amount as prescribed by MNRE, whichever is less.

- In order to ensure correctness of the quotation submitted by the beneficiary along with the proposal, it is made mandatory to obtain quotation only from entities registered with MNRE.
- The condition of MNRE is that only 50% of the sanctioned amount is initially released and the remaining 50% is paid only after completion of the project.
- Immediately after sanction letter is forwarded by MNRE to KREDL and Beneficiary, the initial amount of grant is deposited into the account of KREDL.
- However, KREDL will forward the grant amount received from MNRE to beneficiary only after carrying out inspection.
- Site visit is conducted by KREDL to ensure that the project is a reasonable stage of completion. To ensure this, an inspection report is

- prepared and submitted by A.G.M (Solar) along with the photos to M.D and recommend the release of grant.
- After reviewing the inspection report, M.D approves the sanction order.
 - The sanction order is forwarded to AGM (Accounts) through G.M for preparation of grant cheque.
 - The accounts department prepares the cheque and the details of the same is written on the sanction order.
 - The initial grant amount is paid to the beneficiary after the above process.
 - After completion of the project, the beneficiary is required to submit a self attested copy of Completion Certificate to KREDL.
 - Spot inspection is done by ATO/Executive Engineer to ensure completion of the project.
 - During this, a certificate from Chartered Accountant needs to be submitted authorizing the amount of expenditures incurred.
 - In addition to the above, KREDL is required to submit Utilization Certificate to MNRE conforming that the initial grant amount is completely used.
 - Also Chartered Accountant is required to submit a statement known as Statement of Expenditure (SOE) to conform the amount of grant received from KREDL and also its utilization.
 - AGM (Solar) also performs a spot inspection and submits a inspection report and recommends for release of balance grant amount.
 - In order to ensure that the spot inspection is carried out by KREDL and Commissioning process is complete, a joint inspection report containing signatures of beneficiary, KREDL and the entity which has carried on the commissioning activity is submitted to MNRE.
 - After submitting the above to MNRE the balance 50% of the grant amount is credited the bank account of KREDL.
 - Concerned section, then, conforms from the accounts department that the balance amount of grant is received and prepares a sanction order.
 - The M.D after reviewing the above authorizes the sanction order and forwards the same to accounts department.
 - The accounts department prepares a cheque and submits the same to the beneficiary.
 - After the payment is made, an U.C is submitted by KREDL to MNRE conforming the payment of grant.

NARRATIVE 3: FIXED ASSET

Control Owner	Managing Director
Process Owners	Every officer below the rank of Managing Director.

Content:

1. Procurement of Communication equipment, furniture and office equipment
2. Procurement of Computers and Vehicles
3. Installation of Wind Mills

(i) PROUREMENT OF COMMUNICATION EQUIPMENT, FURNITURE AND OFFICE EQUIPMENTS.

- In case of procurement of communication equipment (Mobiles), the employee is required to submit a request to the A.G.M of concerned department.
- As per Government norms, communication equipments are not provided to employees below the rank of Officer.
- The A.G.M, after reviewing the request, forwards the same to G.M who in turn forwards it to Managing Director.
- The procurement process is initiated only after the approval of M.D.
- Once the approval is obtained, the AGM, will send a proposal for tender.
- It is mandatory that the tender is obtained from a minimum of 3 vendors.
- The proposal copy is put in the notice board of KREDL.
- The vendors are required to drop their quotations in the tender box.
- All the vendors who have dropped their quotations are allowed to be present at the place when the tender box is opened. The tender box is opened in front of all the vendors.
- Based on the quotations submitted, a comparative statement is prepared by the A.G.M and is submitted to G.M recommending the vendor with lowest quote. G.M then forwards the same to CCF.
- After review of the comparative statement, CCF forwards the same to accounts for verification.
- After verification, the statement is sent to M.D through G.M for final approval.
- After M.D approves a particular vendor, P.O is prepared by the concerned section stating all the conditions of purchase.
- In case the delivery is not made with stipulated time, liquidated damages are deducted from the amount paid to the vendor.
- The asset along with the invoice is brought to stores department. The stores personnel is required to acknowledge the receipt of asset.
- After verification of asset, the details of such asset is recorded in the fixed asset register giving full particulars of asset.
- In case of procurement of communication equipment, signature of employee who has requested for the asset is obtained in the fixed asset register.

- Then, the invoice is sealed and signed by the person who has recorded the transaction in fixed asset register.
- After the above, the invoice is forwarded to concerned section where a note conforming the receipt is written and forwarded to G.M.
- The G.M forwards the same to M.D who approves the sanction order. Only upon approval of M.D, payment is released.
- After making the payment, the accounts department is required to write the details of payments in the note sheet.

(ii) PROCUREMENT OF VEHICLE & COMPUTER

The procedure for procurement of vehicle and computer is same as above except for the tender process. In case of procurement of vehicle and computer, tender is not invited. Procurements are made as per rates provided in DG&ST.

(iii) INSTALLMENT OF WINDMILL

- Procurement of windmills will be as per the instruction provided in KTPP Acts & Rules.
- Initially, a board meeting is conducted where the proposal for installation of windmill is authorized.
- The minutes of board meeting is sent to A.G.M (Wind)
- Based on the minutes, AGM (Wind) prepares tender documents and calendar of events as per guidelines issued by KTPP.
- AGM (Wind) is required to forward a draft to M.D.
- After verifying the above, M.D approves the same which is forwarded to concerned section.
- After this, the concerned department is required to submit a draft NIT to MCA (A Government department responsible for publishing in newspapers).
- MCA, then, converts the matter submitted by AGM into newspaper format and forwards the same to AGM. Along with this a list of newspaper and the corresponding price list is forwarded.
- The format along with the list of newspaper is forwarded to M.D for his approval.

- The M.D is required to select some newspapers amongst the one sent above and approve the same.
- The approval letter is forwarded to MCA who publishes the tender invitation in newspapers.
- After this, a pre bidding meeting is called where the bidders are allowed to clear their queries before submission of the quote.
- The minutes of such meeting is uploaded for public viewing.
- A cutoff date is also mentioned within which the bidders are required to submit all the required documents.
- After the cutoff date, technical evaluation of the bidders is conducted by the concerned department to ensure all the required documents are submitted or not.
- In case there is only one bidder selected in technical bid then retender is conducted.
- Based on the above, the concerned department prepares a technical evaluation report which contains list of bidders selected and list of bidders rejected along with the reasons for rejection.
- After this, a Tender scrutiny subcommittee meeting is conducted where external members from ESCOM and KPTCL is invited.
- The technical evaluation report is placed before the members in the meeting.
- The members are allowed to ask for any documents mentioned randomly to ensure that the technical evaluation report is proper.
- The meeting is concluded by signing the minutes by all the members present.
- The section list, rejection list and the minutes of meeting is uploaded for public viewing.
- At this stage, the bidders can know the reason for their rejection and can also check if the same documents are submitted by the bidder whose proposal is accepted.
- After the above process, AGM opens the financial bid of the bidders selected in the technical bid.
- Finance bid is opened by using the digital signature of the AGM. The time of opening financial bid gets registered online and is open for public viewing.
- In case the information and documents that was supposed to be submitted in financial bid is submitted in technical bid, such applicants would be rejected.
- Based on the quotations submitted by the bidders, a comparative statement is prepared by AGM.

- Procurement committee meeting is called where external members from C-Step is invited.
- The comparative statement is placed before the members in the meeting where the bidder with least quote is selected. The meeting is concluded with all the members signing the minutes.
- The above minutes is forwarded to Board of directors for approval.
- After obtaining the approval from board, a letter of intent is prepared and forwarded by concerned section.
- Based on the above, a contract agreement is signed between the vendor and M.D.
- In order to ensure timely completion of installation, performance bank guarantee is obtained from vendors.
- After the above a letter of award is given to the vendor who then initiates the task.
- Payments are made as per the terms agreed upon in the agreement.
- Finally, after completion of task spot inspection is done by the technical persons and a technical evaluation report is submitted.
- After obtaining the completion certificate, the particulars are entered in the fixed asset register.

NARRATIVE 4: STATUTORY COMPLIANCE

Control Owner	Managing Director
Process Owners	Every officer below the rank of Managing Director.

- Income Tax including Advance Tax
- P.T, P.F, E.S.I
- Service Tax, Excise duty and VAT
- T.D.S

The internal control is effective enough to ensure the following:

- To ensure that the company has complied with all applicable provisions of various laws, such that it is not subject to any kind of penal actions
- Recording of payments in ERP System is done.
- Payments are recorded at proper amounts
- Tax adjust, penalties (if any) is accounted at proper amounts.