

# AUDIT OF REGULATORY BODIES

## Group IV

- a) Scope in India – kinds of regulatory bodies and their role & total number.
- b) Audits conducted and findings-broad information.

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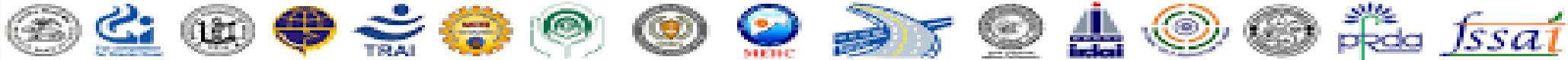
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# Regulatory Authorities



## BACKGROUND/HISTORY

The Role of the state in Economic and Social life has dramatically changed from being the main provider of Social and Economic Services to being **A Rule-maker and Regulator**. The new mode of the State with its structures and relationships is characterized by an increase in the Regulatory Functions and Responsibilities. These changes have paved the way to the emergence of a state increasingly defined by the Volume, Diversity and Complexity of its Regulatory Institutions. This state is known as the **Regulatory State**.



## MEANING

A regulatory body is a Statutory Commission or Board constituted in accordance with the applicable law for the purpose of regulating public utility industry, licensees or services that affect the consumers, directly or indirectly.

## Why we need it?

- To prevent market failure
- To check anti-competitive practices
- To promote the public interest

# EVOLUTION OF REGULATION IN INDIA

- Socialist mixed economy model
- Licensing, Quotas and High tariff
- Process of domestic reforms after 1985
- Liberalization of External Sector
- Independent regulators established in various sectors



## Powers of Regulatory bodies

They have semi / quasi legislative , executive and judicial powers

They make rules and regulations for effective functioning of markets.

They have the authority to implement the rules made by them

In events of disputes they come out with judgements

## OBJECTIVES OF REGULATORY BODIES

To prevent market failure.

Ensure transparent and accountable functioning of markets

To protect interest of small scale industries against the domination of MNCs

To prevent monopoly and anti- competitive practices.

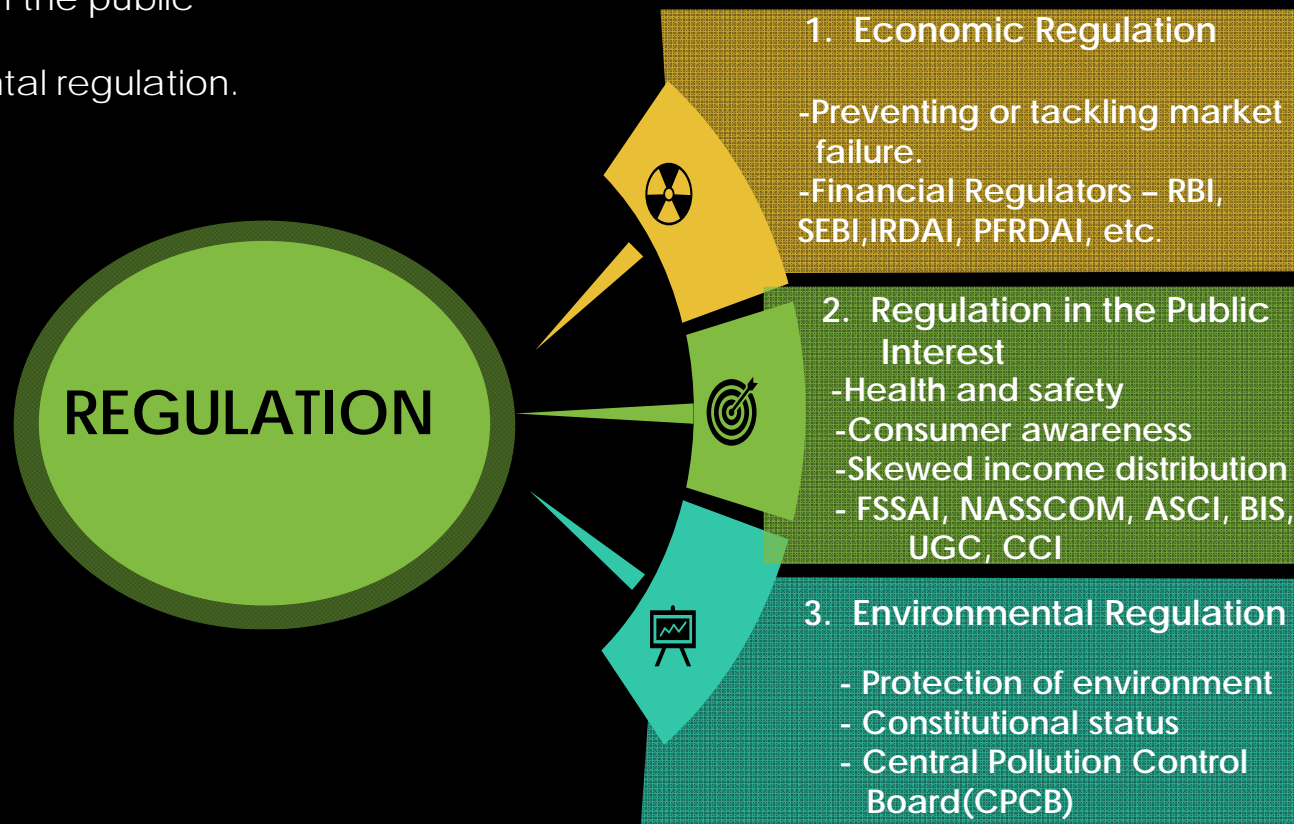
To protect the interest of consumers.

Grievance redressal mechanism

Regulation in India can be mapped under *three* broad categories:

- economic regulation
- regulation in the public interest , &
- environmental regulation.

## Types of Regulation in India



## CENTRAL ELECTRICITY REGULATORY COMMISSION (INSTITUTED UNDER ELECTRICITY REGULATORY COMMISSION ACT 1998)

The Commission intends to promote competition, efficiency and economy in bulk power markets, improve the quality of supply, promote investments and advise government on the removal of institutional barriers to bridge the demand supply gap and thus foster the interests of consumers.

### Functions:

#### Main Functions

1. Tariff regulation
2. Regulation of transmission
3. issuance of licences
4. levy fees
5. specify grid code

#### Quasi-Judicial Function

1. To adjudicate disputes

#### Advisory Function

1. formulate NEP & TP
2. promotion of investment

Tariff Determination process (section 61 to 66 of EA 2003)

# TRAI : Telecom Regulatory Authority of India



- It is the independent regulator of Telecom sector in India
- Established on 20 Feb, 1997, to implement TRAI Act 1997

## Why TRAI was formed?

- NTP 1994 – DoT was the policy maker and also the competitor to private entrants.
- Private enterprises were discouraged to enter the telecom market.

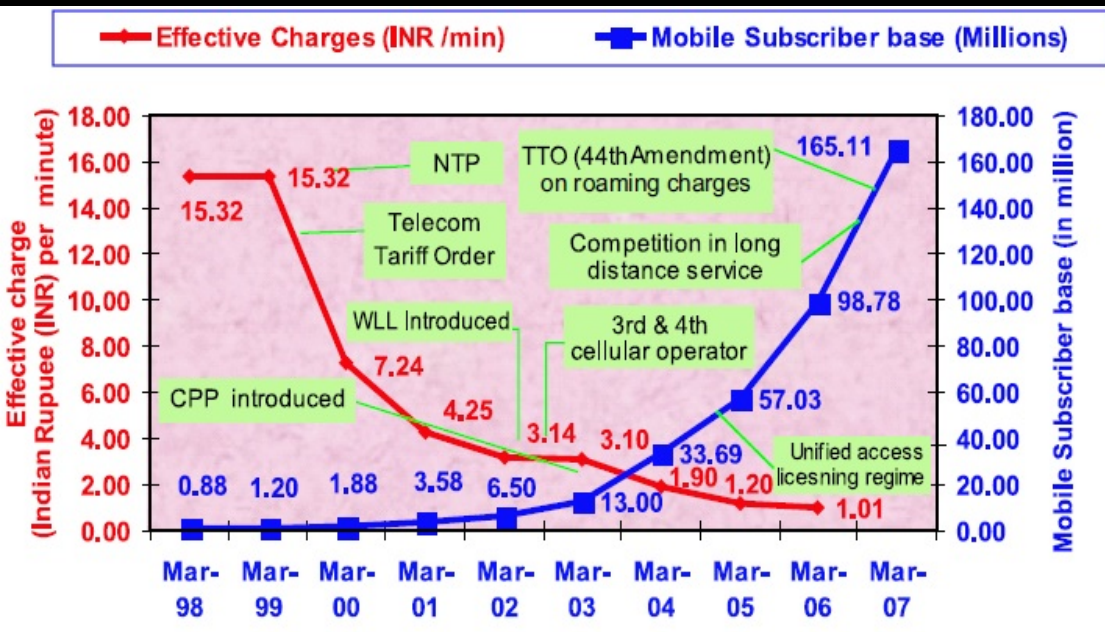
## Functions of TRAI

- Regulate & provide guiding principles to service providers
- Enable the growth of telecommunication sector in the country
- Ensure the interests of consumers of Telecom services
- To extend telecommunications services to Rural areas.

## TDSAT : Telecom Disputes Settlement and Appellate Tribunal

It was constituted in 2000, through an amendment to TRAI act 1997. It adjudicate disputes between:

- Government and a service provider
- Two service providers
- A service provider and a group of consumers



## Scope of audit in regulatory bodies

- With increasing number, growing complexities and challenges in the functioning of regulatory bodies role of Audit is also beginning to assume greater significance.
- Performance audit guidelines on regulatory bodies by C&AG.
- While examining the efficiency and effectiveness with which regulators set about their tasks, the auditor will need to keep in mind:
  - Specialised skills.
  - The context in which the economic regulator is operating.
  - The rules and procedures established.
  - Whether minimum standards of service for consumers provided by supplier.
  - Transparent price policy.
  - Quality of service provided.
  - Action taken to reduce monopoly and market domination.
  - Audit should also examine the regulator's performance.





# AUDIT OF ATOMIC ENERGY REGULATORY BOARD(2012)

## AERB:

- SETUP :1983
- Atomic Energy Act 1962

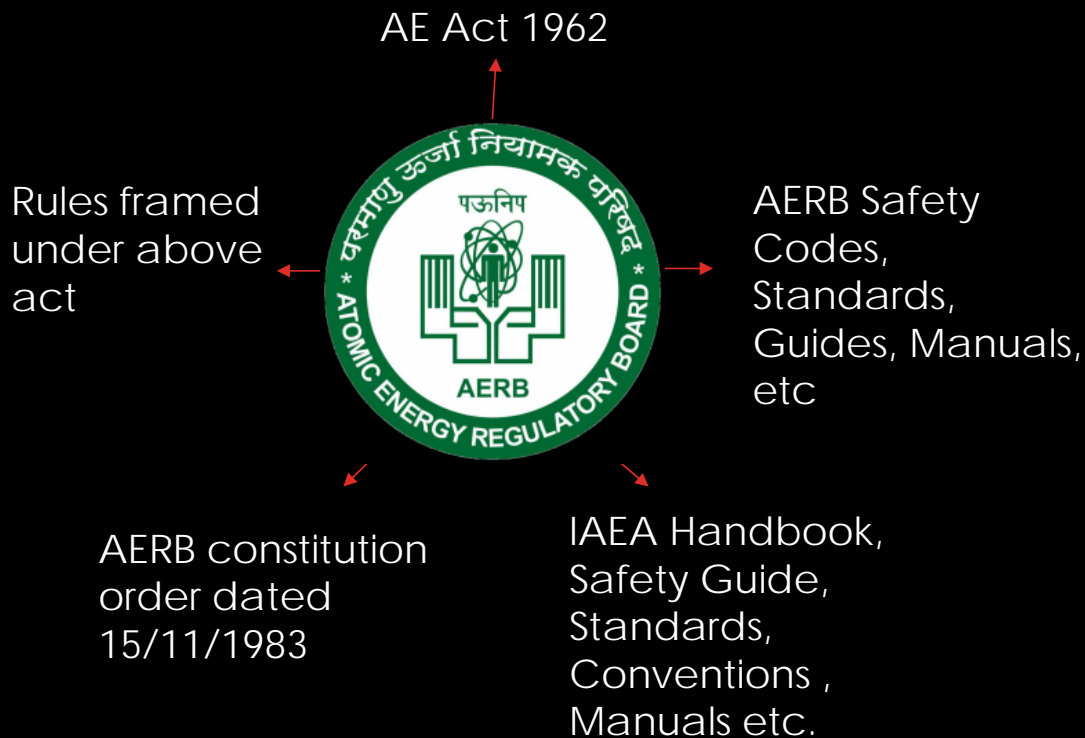
## FUNCTION

- To develop safety policies in nuclear radiological and industrial safety areas.
- To develop safety codes ,guides and standards for designing constructing commissioning and decommissioning of different types of nuclear and radiation facilities
- To prescribe acceptance limit of radiation exposure
- To promote research and development efforts in areas of safety

## Audit objective :

- To examine the responsibility expected of a nuclear regulator.
- To examine whether AERB has been able to develop safety policies in nuclear, radiological and industrial safety areas.
- Whether it has ensured compliance of the prescribed regulatory requirement by NPP and other nuclear facilities.
- Monitoring radiation exposure to occupational workers and public
- Emergency preparedness plan during transport of large nuclear radioactive materials , irradiated fuel and fissile material
- Effective regulatory systems for decommissioning of nuclear and radiation facilities

## AUDIT CRITERIA



## AUDIT FINDINGS

- AERB is an authority subordinate to the central government .
- AERB does not have authority for framing or revising the rules relating to nuclear & radiation safety
- AERB had no role in deciding the quantum of penalties & no powers with regards to imposition of the same.
- Failed to prepare nuclear & radiation safety policy
- Non availability of basic license docs in file
- Not fixed the fees for recovery of cost of services
- Not fixed frequency of regulatory inspections.
- Did not have detailed inventory of regulatory sources.
- No proper mechanism to ensure safe disposal of radioactive wastes
- No proper emergency preparedness plans.
- No legal frame work in India for decommissioning of NPPs and creation of decommissioning reserves.
- Slow in adopting international benchmark

# RECOMMENDATION

- Ensure that the nuclear regulator is empowered & independent.
- Max amount of fines leviable may be reviewed and AERB must be empowered to fix penalties proportionate to the severity of violations.
- Licensing process for radiation facilities must be strengthened.
- Process of setting up DRS in all the states must be expedited.
- AERB must frame rules for levying suitable fees for recovering cost of consenting process.
- Strengthen the process of regulatory inspections.
- Monitoring agencies like HPU,ESL under its direct control.
- Continuously updating of its inventory of all radiation sources.
- Safe disposal of disused sources.
- Onsite emergency preparedness exercises.
- AERB must avail of Peer review and appraisal services of IAEA.



THANK  
YOU