

**VIEWS / COMMENTS ON THE DRAFT “PETROLEUM AND NATURAL GAS  
REGULATORY BOARD (DETERMINATION OF TRANSPORTATION RATE FOR CGD  
AND TRANSPORTATION RATE FOR CNG) REGULATIONS, 2020”**

---

Date : 6<sup>th</sup> October 2020

**To : Ms. Vandana Sharma  
Secretary, PNGRB**

**Subject : Views/Comments on draft “PNGRB (Determination of Transportation  
Rate for CGD and Transportation Rate for CNG) Regulations, 2020**

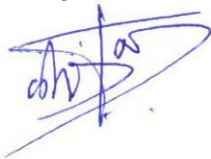
Respected Madam,

I am CMA Neeraj Joshi. I am a Practicing Cost Accountant and also Central Council Member of The Institute of Cost Accountants of India. I am referring to the Public Notice issued by Petroleum and Natural Gas Regulatory Board under reference number PNGRB/COM/1-CGD Tariff(1)/2015 dated 23.09.2020. The said Public Notice calls for Views / Comments on draft “PNGRB (Determination of Transportation Rate for CGD and Transportation Rate for CNG) Regulations, 2020. The Public Notice mentions that the comments can be submitted by email to ‘secretary@pngrb.gov.in’ by 14.10.2020.

I also note that the PNGRB is going to conduct an Open House through Video Conferencing with the entities and stakeholders. I take this opportunity to congratulate PNGRB for this step where larger public involvement in policy formation is planned. I am looking forward to contribute during the Open House and request you to please share the Link for the same.

I have gone through the Draft as kept open by the PNGRB for public comments and giving my views/comments as under.

Thanking You. Sincerely Yours,



**CMA Neeraj D. Joshi**

Central Council Member

The Institute of Cost Accountants of India

**VIEWS / COMMENTS ON THE DRAFT “PETROLEUM AND NATURAL GAS REGULATORY BOARD (DETERMINATION OF TRANSPORTATION RATE FOR CGD AND TRANSPORTATION RATE FOR CNG) REGULATIONS, 2020”**

**Executive Summary of the Requested Changes –**

<b>Suggestion</b>	<b>Ref.</b>
<p>The CGD &amp; CNG Transportation Rate Regulations be modified suitably to recognise the Cost Accountants / Cost Auditors as the independent professionals / auditors authorised to certify various Financial &amp; Cost Statements under these rules.</p> <p>Add explanation as under - Statutory Auditors means Auditors of the Company carrying out Audit under Sec 148 of The Companies Act 2013.</p>	1.21
<p>The CGD &amp; CNG Transportation Rate Regulations is to be modified to include signature of the Cost Auditor</p> <p>Attachment 1 (h) Format of Auditor’s Certificate Replace “Name of Chartered Accountant/ Partner of CA Firm” with ‘Name of Cost Accountant/ Partner of CMA Firm’</p> <p>Add : In case where the company has not appointed a Cost Auditor, the Finance &amp; Cost Statements are to be audited by a Cost Accountant in Practice.</p>	1.22
<p>Recognition of the Cost Accounting Standards as notified by The Institute of Cost Accountants of India</p> <p>Methodology for determination of Transportation Rate for CGD and Transportation Rate for CNG</p> <p>2. Methodology for determination of transportation rate for CGD and CNG</p> <p>Add after 1st paragraph : “The Financial &amp; Cost Statements compiled under these Regulations shall be in compliance with the Cost Accounting Standards issued by The Institute of Cost Accountants of India, to the extent relevant and applicable.</p>	2.21
<p>Cost Audit mechanism can form the base for this Certification. The Cost Audit mechanism covers the Petroleum Sector under its ambit. The mechanism under form CRA 1 already specifies the requirements for maintenance of records pertaining specifically to Quantity (Volume) Information and Transportation Cost. Thus the mechanism can form base for this certification and the Cost Auditors can handle this responsibility.</p>	3.10
<p>The MCA had notified Cost Accounting Records (Petroleum Industry) Rules, 2011. These rules currently stand repealed. But the rules provide a detailed guidance on the computation of Transport Cost in Petroleum Sector. It will also help bring in uniformity in calculation process. Thus the said Rules can be Notified as a reference point for purpose of this Regulation.</p>	3.20

Detailed comments and explanation for all the above mentioned points is given below as part of my Views & Comments.

**Views / Comments –**

**1.00 Recognition of Cost Accountants / Cost Auditors for certification under these regulations in place of Chartered Accountants**

**1.10 Views / Comments**

Currently the Draft “Petroleum And Natural Gas Regulatory Board (Determination Of Transportation Rate For CGD And Transportation Rate For CNG) Regulations, 2020 (herein after referred to as ‘CGD & CNG Transportation Rate Regulations’) recognise only Chartered Accountants as Statutory Auditors and Authorise only the Chartered Accountants to Certicate the various Financial & Cost Statements under CGD & CNG Transportation Rate Regulations.

The Institute of Cost Accountants of India is a statutory body established by under an act of Parliament. The members of the Institute are called as Cost Accountants. Cost Accountants are highly specialised professionals in the domain of Cost & Management Accounting. Cost Accountants are also involved in the process of Cost Audit as specified under The Companies Act, 2013, Section 144. Thus the Cost Accountants are the best suited Statutory Auditors of an organisation to carryout Certification of Financial & Cost Statements.

The said rules have failed to recognise the presence of this statutorily constituted Institute & its members and their expertise in cost determination & certification. The CGD & CNG Transportation Rate Regulations are aimed at certifying statements which require high level knowledge of operations & technical parameters of the CGD Network. It also requires an expert knowledge of the Costing and more specifically the techniques of Cost Allocation & Apportionment. The CGD & CNG Transportation Rate Regulations are oriented more towards cost based workings rather than Financial Reporting.

**Thus Cost Accountants / Cost Auditors are the most suitable professionals to carry out certification under CGD & CNG Transportation Rate Regulations, and they should be recognised.**

**1.20 Requested Change**

1.21 The CGD & CNG Transportation Rate Regulations be modified suitably to recognise the Cost Accountants / Cost Auditors as the independent professionals / auditors authorised to certify various Financial & Cost Statements under these rules.

Add explanation as under - Statutory Auditors means Auditors of the Company carrying out Audit under Sec 148 of The Companies Act 2013.

1.22 The CGD & CNG Transportation Rate Regulations is to be modified to include signature of the Cost Auditor

**VIEWS / COMMENTS ON THE DRAFT “PETROLEUM AND NATURAL GAS  
REGULATORY BOARD (DETERMINATION OF TRANSPORTATION RATE FOR CGD  
AND TRANSPORTATION RATE FOR CNG) REGULATIONS, 2020”**

---

Attachment 1 (h) Format of Auditor’s Certificate

Replace “Name of Chartered Accountant/ Partner of CA Firm” with ‘**Name of Cost Accountant/ Partner of CMA Firm**’

Add : In case where the company has not appointed a Cost Auditor, the Finance & Cost Statements are to be audited by a Cost Accountant in Practice.

**1.30 Justification for the Views / Comments**

**1.31 Methodology for determination of Transportation Rate for CGD and Transportation Rate for CNG**

**1. Cost and Financial Data:**

**..... Determination of such rates shall be certified by statutory auditors of the authorised entity .....**

The CGD & CNG Transportation Rate Regulations provides for Certification by the Statutory Auditors. Cost Audit is carried out under Section 148 of Companies Act, 2013. The Cost Auditors are appointed under the provisions as defined in the Companies Act, 2013. As such Cost Auditors are also Statutory Auditors of the authorised entity.

Since the certification relates to the Cost of Transportation, it is falling in the domain of the Cost Auditors of the entity, who are already carrying out Audit of the Cost Records of the entity. Thus the Certification under CGD & CNG Transportation Rate Regulations shall be carried out by the Cost Auditors of the entity.

Thus a clarification to this extent needs to be specified below this para. Also appropriate change in the schedules should be made to specify Signature by a Cost Auditor.

**1.32 Methodology for determination of Transportation Rate for CGD and Transportation Rate for CNG**

**1. Cost and Financial Data:**

**..... The authorised entity shall prepare separate financial and cost statements in respect of each GA to which these regulations apply and get the same audited by its statutory auditors .....**

The CGD & CNG Transportation Rate Regulations clearly states that separate Financial & Cost Statements are to be prepared and audited/certified. Cost Auditors are already carrying out the function of Auditing Cost Statements. Further giving the responsibility of certification of the Cost Statements to a Chartered Accountant is completely unjustified. Costing is a specialised knowledge and that is the reason the Government has created a separate profession of Cost Accountants. The Cost Accountants are very well qualified to certify the Financial statements. The Cost Accountants are recognised under the Companies Act to carry out Internal Audit, thus their competence to carry out the certification of the Financial Statements is already established. Further the Companies Act, 2013 recognises only the Cost Accountants to certify the Cost Statements under the said Act. Thus the Cost

Accountants are the only competent Professionals to certify both Financial & Cost Statements as prescribed under CGD & CNG Transportation Rate Regulations. Thus the CGD & CNG Transportation Rate Regulations need to be changed suitably to include the Cost Accountants / Cost Auditors as the Certifying Authority of all the statements prepared.

**1.33 Attachments giving Formats of the Statements to be Compiled by the entity & certified by the Statutory Auditors**

All the prescribed formats mainly focus on detailed reporting of the Cost & Financial Information. It requires that proper allocation & apportionment of the financial & cost information should be carried out while compiling the statements as prescribed under CGD & CNG Transportation Rate Regulations. The Institute of Cost Accountants of India has issued Cost Accounting Standards & Generally Accepted Cost Accounting Principles. These provide detailed guidance on the recognition, allocation & apportionment of the various elements of Cost. These Standards can form guiding principles for compilation of the statements as prescribed under CGD & CNG Transportation Rate Regulations.

Cost Accountants are very well versed in the process of cost allocation & apportionment. They have specialised knowledge of the Cost Accounting standards along with Financial Accounting Standards. Thus they are the best suited professionals to handle this Certification.

**1.34 Use of Quantity Information while compiling the Finance & Cost Statements under CGD & CNG Transportation Rate Regulations**

Methodology for determination of Transportation Rate for CGD and Transportation Rate for CNG

5. Volumes to be considered in determination of transportation rate for CGD and CNG.

This specific section of the CGD & CNG Transportation Rate Regulations deals with the Volume (quantity) information to be used in the compilation of the Financial & Cost Statements under CGD & CNG Transportation Rate Regulations. The Cost Records are one of the only records which require the entity to maintain detailed records of the Quantity. They also require the entities to carryout reconciliation of the quantity information. Cost Accountants are very well versed in the quantity records that are maintained by the entities and thus possess the special skills required to handle the requirements as stipulated under CGD & CNG Transportation Rate Regulations.

**VIEWS / COMMENTS ON THE DRAFT “PETROLEUM AND NATURAL GAS  
REGULATORY BOARD (DETERMINATION OF TRANSPORTATION RATE FOR CGD  
AND TRANSPORTATION RATE FOR CNG) REGULATIONS, 2020”**

---

**2.00 Recognition of Cost Accounting Standards as issued by The Institute of Cost Accountants of India**

**2.10 Views / Comments**

The Institute of Cost Accountants of India is Professional Organisation formed under an Act of Parliament. The Institute has formed Cost Accounting Standards Board, which comprises representatives of Institute, Profession, Industry, Regulators, Government and all the major stakeholders on the subject. The Institute has till date released and notified 24 Cost Accounting Standards (CAS). The Cost Accounting Standards set out the principles for recognition, absorption, allocation, presentation & disclosure of various items of Cost. CAS lays down guidelines so that there is uniformity in applying the principles of Costing and also standardization in the reporting based on the Costing Information.

The CGD & CNG Transportation Rate Regulations, involves compiling of Financial & Cost Statements at a detailed level and it also requires systematic allocations & apportionments of financial & cost data. Thus it is very critical that all the entities follow similar practice to allocate & apportion the cost & finance information and there is a standardisation in the working methodology.

**This can be brought in by recognising the Cost Accounting Standards as the base for the Financial & Cost Statement compilations.**

**2.20 Requested Change**

**2.21 Recognition of the Cost Accounting Standards as notified by The Institute of Cost Accountants of India**

Methodology for determination of Transportation Rate for CGD and Transportation Rate for CNG

2. Methodology for determination of transportation rate for CGD and CNG

Add after 1<sup>st</sup> paragraph : “The Financial & Cost Statements compiled under these Regulations shall be in compliance with the Cost Accounting Standards issued by The Institute of Cost Accountants of India, to the extent relevant and applicable.”

**2.30 Justification for the Views / Comments**

**2.31 Methodology for determination of Transportation Rate for CGD and Transportation Rate for CNG**

1. Cost and Financial Data:

..... Booking, apportionment and allocation of indirect capital and revenue costs to different CGD networks and activities shall be carried out in fair and reasonable manner, which shall be clearly stated by way of detailed notes .....

The CGD & CNG Transportation Rate Regulations clearly mentions that the Booking, Apportionment & Allocation shall be carried out in fair & reasonable manner and also

detailed notes are to be give. Thus it is very clear that there is a major focus and need for proper apportionment and allocation of Cost & finance data. The Cost Accounting Standards is a long established mechanism to achieve this objective. The use of Cost Accounting Standards will achieve this objective of proper allocation & apportionment and will also bring in standardisation in the reporting framework.

### **3.00 Other relevant points**

#### **3.10 Cost Audit Mechanism under The Companies Act, 2013**

Sec 148 of The Companies Act, 2013 specifies Cost Audit Mechanism that is applicable to certain class of Companies. The Government has framed The Companies (Cost Records & Audit) Rules, 2014 (hereinafter referred to as CCRAR 2014). CCRAR 2014 specify the Industries that are covered under the Mechanism of Maintenance of Cost Records & Cost Audit. Accordingly activities pertaining to “Petroleum products; including activities regulated by the Petroleum and Natural Gas Regulatory Board under the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006)” are already covered under the mechanism of Maintenance of Cost Records & Cost Audit.

The CCRAR 2014 also specifies the methodology and principles for Maintenance of Cost Records under form CRA 1 of CCRAR 2014. The form CRA 1 specifies the details of Quantity Records that are to be maintained by the entities. It also specifies the details to be maintained specifically for determination of Transport Cost. It also covers all other elements of cost required for compilation of any cost statement.

Thus the mechanism of Maintenance of Cost Records & Cost Audit will aid the compilation of the financial & cost statements that are required under CGD & CNG Transportation Rate Regulations. The fraternity of Cost Accountants who are very well versed with these provisions of CCRAR 2014 and CRA 1 will be the ideal professionals to handle this responsibility.

#### **3.20 The Cost Accounting Records (Petroleum Industry) Rules, 2011**

The MCA, Gol had issued the Cost Accounting Records (Petroleum Industry) Rules, 2011. These rules are subsequently repealed after MCA has notified CCRAR 2014. But the old rules, specific to Petroleum Industry are very much used in practice by the Companies and Cost Auditors while handling the Costing related assignments of the Petroleum sector.

These Petroleum Industry Rules have given in detail format for calculation of the Cost of Transportation and offers a great guidance for the same. These Rules can be notified under CGD & CNG Transportation Rate Regulations as a reference point for the entities as well as auditors so that there is uniformity and standardisation in the process of compilation of finance & cost statements under the CGD & CNG Transportation Rate Regulations.

**VIEWS / COMMENTS ON THE DRAFT “PETROLEUM AND NATURAL GAS  
REGULATORY BOARD (DETERMINATION OF TRANSPORTATION RATE FOR CGD  
AND TRANSPORTATION RATE FOR CNG) REGULATIONS, 2020”**

---

The Institute of Cost Accountants of India is a statutory body and it can always assist the ministry in developing necessary guidance notes and standards specifically in relation to the certification under the CGD & CNG Transportation Rate Regulations.