

# **JHARKHAND BIJLI VITRAN NIGAM LIMITED**

**ENGINEERING BUILDING  
HEC, DHURWA  
RANCHI – 834004**

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## **CONSOLIDATED AUDIT REPORT FY- 2017-18**

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**PRAKASH SACHIN & CO**  
**CHARTERED ACCOUNTANTS**

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## Independent Auditors' Report

To the Members of Jharkhand Bijli Vitran Nigam Limited

### Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS Financial Statements of **Jharkhand Bijli Vitran Nigam Limited** (herein referred to as "the Company) and its joint venture, Patratu Vidyut Utpadan Nigam Limited (the Company and its joint venture together referred to as Group) comprising of the Consolidated Balance Sheet as at 31<sup>st</sup> March, 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated statement of changes in Equity and Consolidated Statement of Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as in "the consolidated Ind AS Financial Statements").

### Management's Responsibility for the Consolidated Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Consolidated Ind AS Financial Statements that give a true and fair view of the Consolidated financial position, consolidated financial performance, including other Comprehensive income, consolidated cash flows and consolidated changes in equity of the group, including its joint venture company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with The Companies (Indian Accounting Standards) Rules, 2015 issued there under.

The respective board of directors of the company and its joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the company, as aforesaid. In preparing the Financial Statements, respective management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Mumbai

Kolkata

New Delhi

Ranchi

Page 1



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## Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Ind AS Financial Statements based on our audit while conducting the audit we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit of the Ind AS Financial Statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Ind AS Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Ind AS Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the Consolidated Ind AS Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Ind AS Financial Statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Consolidated Financial Statements or if such disclosures are inadequate, to modify the opinion, our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

We believe that the audit evidence obtained by us and audit evidence obtained by the other auditor in terms of their reports referred to in sub 1 to 4 of the other matter paragraph below for joint venture companies audited by other auditors is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Ind As Financial Statement.



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## Adverse Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditor of Patratu Vidyut Utpadan Nigam Limited on separate Ind AS Financial Statement & on the financial information of the joint venture, the aforesaid Consolidated Ind AS Financial Statements do not give the information required by the Act in the manner so required and do not give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Company and its Joint Ventures as at March 31, 2018, and their consolidated Net Profit/Loss (financial Performance including other comprehensive Income), their consolidated cash flow and consolidated changes in equity for the year ended on that date.

We draw attention to the matters described in **Annexure 'A'** as pointed out in our Independent Audit Report of Standalone Financial Statement of JBVNL dated 29.05.2019 for the year ended 31<sup>st</sup> March, 2018, the effect of which, individually or in aggregate, are material and pervasive to the Consolidated Financial Statement and matters where we are unable to obtain sufficient and appropriate audit evidence. The effects of matters described in said Annexure 'A' which could be reasonably determined quantified are given therein. Our opinion is adverse in respect of these matters.

## **Emphasis on Matter Paragraph**

We draw attention regarding the following matters referred in Financial Statements as pointed out in our Independent Audit Report of Standalone Financial Statement of JBVNL dated 29.05.2019 for the year ended 31<sup>st</sup> March, 2018, which require user's attention:-

1. Attention invited to Note 13 in consolidated the Financial Statements which indicates that the Company has accumulated losses Rs 4036.15Cr. (P.Y. Rs 3823.81Cr) and its Net worth has become negative. The Company has incurred a net loss during the current year Rs 212.16 Cr. (P.Y. Rs 1741.13Cr.) and the Company's current liabilities exceeded its current assets as at the balance sheet date by Rs 1747.96 Cr. We are of the opinion that the Company needs continuous Government assistance in the form of grants and more autonomy, absence of which casts significant doubts on the Company's ability to continue as going concern entity. However, the Consolidated Financial Statements of the Company for this FY have been prepared on a going concern basis.
2. We have not received Board Reports for the Financial Year 2016-17 and the initial report of 2017-18. We are therefore not able to comment on the Management's future plan of actions on the operation of the Company. In the absence of the Director's Report, we are also not informed of the Management Discussions and Efforts on the Governance, CSR, Whistle Blower Policies and prevention of Sexual Harassments at Work Places requirements and actual activities thereon. We are also not aware what actions the Management of the Company has taken on modifications and adverse opinions of previous auditors, whom we have replaced in the current year 2017-18 as per CAG Letter dated 12<sup>th</sup> June, 2018.



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3. As per the information and explanation received from the Company, Cost Audit under Companies Act, 2013 for the year 2016-17 and 2017-18 is yet to be done. Further, we were not provided for internal audit reports for all locations.
4. The Annual Accounts for the financial years 2013-14 to 2015-16 have been passed in the Annual General Meeting (AGM) held on 24<sup>th</sup> September, 2018 as per the minutes of the AGM. However, we are unaware that whether the compliance under section 395 of the Companies Act, 2013 by the State Government has been done or not.
5. The 4<sup>th</sup>AGM for the Financial Year 2016-17, which was held on 19<sup>th</sup> September, 2017, is still in an adjourned state. The AGM for 2017-18 had been called on 24<sup>th</sup> September 2018 and that is also at the adjourned state on the date of reporting. However, we are unaware that whether the compliance under section 395 of the Companies Act, 2013 by the State Government has been done or not.

Further we draw attention to the following matters in the Notes to the financial statements of **Patratu Vidyut Utpadan Nigam Limited (PVUNL)**, Joint Venture as mentioned by the statutory auditor of PVUNL in their report:

1. Note No – 26 in respect to SJVA, due to this necessary accounting adjustments have been made in current year by de- recognition of the current assets (net of consideration) by transferring to Assets held for disposal, further deemed loan and interest payable recognized in past have been reworked during the year based on SJVA.
2. Note No -27 wherein the company had made trueing up sales of the energy accounted in the year 2016-17, in terms of SJVA.
3. Note No -28 wherein land has been transferred to the Company by GOJ during the year, the consideration payable towards land recognized as "Deemed Loan" and interest on the same has been accounted as per terms of SJVA.
4. Note No -29 wherein the expenses towards dismantling cost identified and considered as recoverable from GOJ and adjusted with the amount payable on account of discarded assets

Our Opinion is not modified in respect of these matters.

## Other Matters

We draw attention to the following matter other than disclosed in Financial Statements:

1. The consolidated Financial Statements of the Company for the year ended 31st March, 2017 were audited by another Auditor who gave disclaimer of opinion in audit report as on 22<sup>nd</sup> December 2020.
2. The Consolidated Financial Statement include the Company's share of net profit/(Loss) including other comprehensive income using Equity Method for the year ended 31st March 2018 as considered in the Consolidated Financial Statement in respect of following joint venture entity whose financial statements/Financial information has not been audited by us:

Mumbai

Kolkata

New Delhi

Ranchi

Page 4



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Sl. No	Name of Joint Venture Entities	Company's share of Net profit/(loss) using Equity Method
01.	Patratu Vidyut Utpadan Nigam Ltd. (PVUNL)	0.66 Lacs
	Total	

This financial statement/Financial Information have been audited by the other auditor whose report has been furnished to us by the Company's Management up to 10/06/2020 and our opinion on the Consolidated Financial Statement, in so far it relates to the amount and disclosures included in respect of this joint venture, and our report in terms of sub section (3) of Section 143 of the Act, in so far as it relates to the aforesaid Joint Venture, is based solely on the report of the other auditor of joint venture, after considering the requirement of Standard on Auditing (SA 600) on using work of Another Auditor including materiality.

Our opinion on the Consolidated Financial Statements, and our report on other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to reliance on the work done by the Company's Management and the report of the other auditor and the standalone financial statements, of PVUNL Information certified

- The accounting policies as followed by the Company were inconsistent to the accounting policies mentioned in the "Accounting policy" stated in the Notes of Accounts. However, this year such inconsistency has been removed and accounting policies have been redrafted to match with the accounting policies followed. Thus, it is a mere redrafting of the correct accounting policies which is in line with the accounting policies followed by the Company.
- The Management Representation letter as received, states that corrective actions are being taken by the Company in terms of the "Order on Approval of Business Plan and ARR for MYT Control Period FY 2016-17 to FY 2020-21; And Distribution and Retail Supply Tariff for FY 2016-17 for Jharkhand Bijli Vitran Nigam Limited (JBVNL) issued by the Jharkhand State Electricity Regulatory Commission (JSERC). Such compliance is being closely monitored by the Company and necessary actions are being taken for the improvement like reduction of AT&C Loss, collection & billing efficiency, payment/adjustment of interest of consumer securities.
- The Company has constituted a CSR committee; however, it has not convened any meeting since its creation. As explained and informed by the Company, the meetings were not held as it has losses and hence have no requirement to contribute towards CSR.
- Technical Audit of operation is desirable to reduce losses and for improvement of efficiencies.



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## Annexure – “A”

### Basis of Adverse Opinion

1. **Maintenance of Proper Books of Accounts**

In our opinion, the Company has not maintained proper books of accounts to give a true and fair view of the state of the affairs of the Company and such books have not been maintained fully on accrual basis as required under Section 128 of the Companies Act, 2013.

2. **Accounting policies inconsistent with IND AS**

In some cases, accounting policies adopted by the Company are inconsistent with Ind AS. The cases have been properly dealt elsewhere at the appropriate place in the report.

3. **Property, Plant & Equipment (PPE), Capital Work in Progress (CWIP) and Depreciation**

#### **PPE**

- The Company has shown land and other Fixed Assets with no identification or value for each as Company does not maintain any Fixed Assets Register, Title Deeds of Immovable Properties or Project-wise Details with Cross References of capital work-in-progress. The total value of Fixed Asset as on 31.03.2018 stood at Rs. 3798.41 Cr. (P.Y. 3708.68 Cr.)
- Land & Land Rights of Rs.1.14 Cr. have been shown by the Company under PPE in Financial Statements. The same has not been segregated into Free and Leasehold Land which is violation of Ind AS-17. Leasehold Land needs to be amortized as per Ind AS-17 which has not been done by the Company in the absence of segregation.
- The Fixed Assets held by the Company has not been impaired on the reporting date as required under Ind AS-36.
- Line, Cable & Network has been capitalized by Rs. 504.00 Cr. under Annual Development Programme (ADP) and Deposit head directly instead of routing it through CWIP as required under Ind AS-16. Such capitalization has been done at the last date of Financial Year irrespective of knowing put to use date or without obtaining commissioning certificate, which is in contravention of Ind AS-16. Apart from this, Capitalization under deposit head for labour expenditure is being done on payment basis which is also in contravention of Ind AS-16.
- Computer Software of Rs.0.02 Cr. has been reported under Fixed Assets whereas under Schedule III, they should have been reported separately under “Intangible Assets”.



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## CWIP

- CWIP of Rs.4734.23 Cr. (P.Y. Rs. 2641.21 Cr.) includes balances pending capitalization owing to pending analysis of status, value and obtaining of commissioning certificates for various turnkey projects running under various schemes. In view of the above, we are unable to form an opinion as to how much of this amount has to be capitalized.
- Further, Erection expenditure incurred is also recognized on payment basis.
- Allocation of Employee Costs towards the capital project work is not done.
- Further, we have not been given the details of stage and status of the ongoing Turnkey Project under various schemes. Hence, we are unable to comment upon status of completion of projects.
- The classification of CWIP under schemes like RE, ADP, APDRP, RAPDRP etc. has not been done by the Company.

## Depreciation

- JSERC (Power Regulatory Accounting) Regulation, 2016, requires the Company to charge the depreciation on pro-rata basis, at its prescribed rate, in case of Fixed Assets added during the year. However, the Company has not charged depreciation of Rs 20.08 Cr. on the value of addition made during the Financial Year 2017-18. Since Fixed Asset Register is not maintained and in the absence of breakup of the asset added during the year, the calculation of depreciation is made on average estimated basis.
- Due to non charging depreciation on the addition of Fixed Assets which is in contravention of JSERC Regulation, it has understated the losses and overstated the Fixed Asset.

## 4. **Power Purchase**

- Supplementary bill of Rs. 26.80 Cr. pertaining to earlier period has been recognized as an exceptional item instead of treating it as normal power purchase cost resulting in understatement of power purchase cost and overstatement of exceptional item by the same amount. This is in contravention of Ind AS 1 as well as JSERC Regulations.
- The Company has made short accounting of power purchase cost from Jharkhand Urja Sancharan Nigam Limited (JUSNL) by Rs 2.10 Cr. and from Jharkhand Urja Utpadan Nigam Limited (JUUNL) by Rs 8.29 Cr. Further, it can be noted that both JUUNL and JUSNL are subsidiary of holding Company of JBVNL and hence fall under category of related party.
- Further, Company has recognized the line loss payment of Rs. 8.41 Cr. as part of the cost of power purchased from DVC. However, the same should not have been recognized by the Company since as per the power purchase agreement between Company and DVC, the Company is not responsible for the payment of line loss. Therefore, in our opinion, Company has overstated its power purchase cost and liability by Rs.8.41 Cr. As informed and explained by the Company, such amount is adjusted at the time of payment after due reconciliation.





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## 5. Trade Payables

### Trade payables for Power Purchase

- In respect of Trade Payables towards Power Purchase of Rs 5861.16 Cr. (P.Y. 6087.38 Cr.), we have sought but received confirmations of Rs 2683.73 only. No balance confirmation or reconciliation was provided for the remaining amount of Rs. 3177.43 Cr.
- The Delayed Payment Surcharge on the amount payable to Tenughat Vidyut Nigam Limited of Rs 262.33 Cr. has not been accounted which has resulted in understatement of expenses and overstatement of income by Rs. 262.33 Cr.
- The Company has accounted for DPS on delayed payment/outstanding amount only in case of DVC in the F.Y. 2017-18 based on their reconciliation. DPS for other cases have not been accounted. As per the information and explanation provided to us, the Company recognizes the DPS only after the final reconciliation. In the absence of reconciliations, we are not able to comment on the impact of non- accounting of such DPS.

### Payables for purchases other than Power Purchase

- The Company maintains record of purchases of material containing the name of vendors and payments made to vendor separately. However, on the basis of examination of Books of Account, we state that Company neither maintains the individual ledger nor provided the balance confirmation in respect of such creditor which amounts to Rs. 2641.95 (P.Y. 1893.88 Cr.). Hence, we are not able to comment on truth and fairness of such balances.

## 6. Cash & Bank Balances

- We have sought the Bank Reconciliation Statement for the purpose of verification of closing balance and were provided except for four locations. In the absence of such reconciliation, we could not verify the correctness of Bank Balance Rs. 15.80 Cr. In case of seven accounting units there was a difference between bank balance as per cash book and accounts, of Rs 0.05 Cr.
- The State Government provides funds under various schemes in the form of loan and grant through PL Account with Government Treasury maintained at Doranda, Ranchi. This account remained un-reconciled on the reporting date. Also, no balance confirmation has been received from the treasury. In the absence of such Reconciliation and Bank confirmation letter, we are not able to comment on the correctness of the amount Rs. 2503.29 Cr. (P.Y. Rs. 1571.69 Cr.) as shown in the Financial Statements.
- We have sought but not been provided the reconciliation of the amount of negative cash in transit of Rs. 132.29 Cr. (P.Y. positive balance of Rs 37.40 Cr.)
- No confirmation has been provided for imprest cash of Rs.9.93 Cr.
- Out of Rs.601.85Cr. of Fixed/Flexi Deposit (FD), FD amounting to Rs 13.15 Cr. with JUVNL could not be verified in the absence of certificate.

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Ranchi

Page 8



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## 7. Debtors and Provision for Doubtful Debts

### Debtors

- The Company has not provided us Individual customer ledgers under various categories for verification of balances. As informed by the Company, manual register is maintained at Circle level for HT and at sub division level for consumers other than HT. The receivable amount net of accumulated provisions of Rs. 3024.28 Cr. (P.Y. 2965.37 Cr.) of debtors stood at Rs. 2866.52 Cr. (P.Y. Rs. 1927.38 Cr.). No balance confirmations were provided for such receivables. So, we are unable to comment on the truth and fairness of such balance.
- The Company maintains category wise consumer ledgers (not individually) in the form of Revenue Statement-1 (RS-1) at division level. The closing balance of debtors as on 31<sup>st</sup> March, 2018 has a difference of Rs. 108.54 Cr. as per RS -1 & Financial Statements on account of difference between the collections figures of RS-I and Financial Statements.
- The Company has achieved collection efficiency of only 84.86 % ( P.Y. 90.69%) during the Financial Year 2017-18 as against the target fixed (i.e.100%) by JSERC vide Para 5.24 of Terms and Conditions for determination of distribution tariff, regulation 2015). The collection efficiency has been calculated as per the Central Electricity Authority (CEA) guidelines dated 2<sup>nd</sup> June, 2017.

### Provision for Bad & Doubtful debts (PBDD)

- PBDD for Rs. 58.91 Cr. (P.Y. Rs.48.93 Cr.) is made, as on 31<sup>st</sup> March, 2018 at 1% on the closing book debt.
- The method of provisioning by 1% on the closing debtors adopted by the management is not appropriate. The overall provisioning has reduced by 9.27% (as shown in the table below) although the collection efficiency has also reduced by 5.83%. Hence, we are of the opinion that poor collection efficiency and proper analysis of each consumer should be considered for making the adequate provisions.

Particulars	Debtors Amount (A) in Cr.	Provision Amount (B) in Cr.	% of provision (B/A)X100
Opening	4892.75	2,965.37	60.61%
Closing	5890.79	3,024.28	51.34%
Movement in Provision			9.27%

- Further, as per the information or explanation received from the management, Company has pending disputes with parties which are pending at various judicial forums and provision in respect of such disputes have been included in the provision existing in the book of accounts by the Company. However, the Company did not provide any list of provisions on debtors to verify the correctness of provision.



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- This provision has been neither written off nor written back by the Company. Continuing making provision in this way will lead to accumulation of the provision in the Balance Sheet and violation of Ind AS-37 which provides for write off or write back of provisions when the provisions meet their purpose.
- Further, we are also unsure as to how and on what basis management will adjust these provisions in the absence of party wise details of such provisions.

## **8. Inter Unit Balances**

The Inter Unit Current Accounts amounting to Rs 136.27 Cr. (P.Y. Rs. 116.68 Cr.) is not reconciled. In the absence of such reconciliation statement, we are unable to comment on such inter-unit Current Accounts.

## **9. Liability for Employee Benefits**

- During the F.Y 2017-18, the Company has made provision for terminal liability on the basis of actuarial valuation done up to March 2015. No actuarial valuation has been done for F.Y.2015-16, 2016-17 and 2017-18 which are contrary to Ind AS-19. The consequential impact of above deviation is not ascertainable as the data is not maintained by the Company in the manner, so required. Hence, we are not able to quantify the impact by which such terminal liability is understated.
- Proportionate Liability on the Company has not been kept devolved in the books of accounts from the "master trust" accounts.
- The company has not maintained the prescribed register under Group Saving Scheme, showing contribution collected from employee and paying amount on the date of retirement and booking under the account GSS head directly. Interest on GSS was also not provided.
- The company has adopted the NPS scheme in the F.Y. 2017-18; however, neither contribution towards the same was made nor was any provisions made for the same.

## **10. No opening provision for Employees benefits**

Provision for Employee Benefit, as on 31<sup>st</sup>March, 2018, that stood at Rs.55.14 Cr. (P.Y. Rs.21.60 Cr.) does not include the provision created for employees joined before inception.

At the time of inception of the companies, Employees were seconded from JSEB to the Company but provision for the retirement benefit in respect of liability relating to such seconded employees were not transferred to the Company vide notification no.2917 of Revised Transfer Scheme and were kept in the books of holding Company and at present it still exist there itself. However, payment of such retiral benefits are made by the Company and then accordingly, payment for such retiral benefits are adjusted against the provision created in the book of JUVNL and nullified at the time of consolidation.

In our opinion, provision relating to old employees should be transferred and shown in the



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books of the Company and adjustment for the amount of payment of retiral benefit should be made from such provisions to avoid violation of Ind AS-37.

Further, according to the information we received, we report that contribution made by employer and employee for such retiral benefit is invested through a master trust which is maintained by its holding Company (JUVNL) as a trustee, however, such receipt and payment through the master trust has not been verified by us because we have not been provided any detail or information regarding this master trust.

## 11. Unexplained & Static Opening Balances

The following items continued to appear in the Financial Statements of Company with no explanation given for its static nature, which need to be reviewed to establish their true position:

Sl. No.	Particulars	(Amt. in Rs. Cr.)
1	Asset taken over from pending valuation	2.08
2	Cash found in excess of verification	0.0004
3	Advance against energy consumed by State Government	8.33
4	Cycle Advance	0.18
5	Advance to Home Guard	0.25
6	Claim for overloading of coal	0.38

In the absence of explanation and clarification on the above, we are unable to comment on the truth and fairness of the figures.

## 12. Keep Back Deposit & Penalty, Security Deposit, and Earnest Money Deposit etc.

- In case of Security Deposit, Earnest Money Deposit, Keep Back deposits & penalties and Retention Money, the Company does not maintain any party wise ledger. The total value of item stated above is Rs. 687.62 Cr. (P.Y. Rs. 294.89 Cr.) as on reporting date. Hence, we are not able to comment on truth and fairness of such balances.
- Interest on consumer security deposit has been recognized at the rate of 6.25% on average basis on the balances of consumer security deposit and not on the individual balances, as party wise ledger of security deposit is not maintained by the Company. As informed by the Company, manual register is maintained at sub division level to record the amount of deposit received. However, we have not been provided with the registers and hence, we could not verify and cannot comment how and on what basis, the Company will adjust such interest with the electricity bill of respective consumer as required by JSERC regulation.

## 13. Inventories and stores

The net realizable values have not been assessed by the management. Inventories have been valued at cost in violation of Ind AS 2. Inventory aging and obsolete items have not been assessed. The Company has not maintained Proper Stock Register. The value of inventory as on 31<sup>st</sup> March, 2018 is Rs 60.06 Cr. (P.Y. Rs 13.65 Cr)



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## 14. Advances other Receivables

### Capital Advances

- Based on our audit observation, we are of the opinion that party wise ledger is not being maintained by the Company in respect of Capital Advances (mobilization advances) as on 31<sup>st</sup> March, 2018 was Rs. 531.05Cr. (P.Y. Rs.250.73 Cr.), as on year end. Such advances are made to supplier for carrying out turnkey projects under various schemes.
- Interest paid on such mobilization advances are recognized on cash basis in contravention of Ind AS-1 which requires recognition of Income on accrual basis. In the absence of individual ledger of such advances we are unable to quantify the impact on the Financial Statements.

### Other Advances

- Staff Advances lying in the accounts under various heads like pay advance, Marriage Advance, Medical Advance etc. in various units totaling to Rs.5.57Cr. (P.Y. Rs 5.93 Cr.) require reconciliation since such advancement have been made in respect of certain employees who have been seconded from one unit to another units. In the absence of reconciled balances, we are unable to comment on the correctness and fairness of the closing balances.

## 15. Statutory Deduction and Payments

- The Company has deducted but not deposited the statutory dues such as PF, ESIC etc on regular basis. In most of the Circles and Area seven the opening liability has not been fully deposited in the current year further, there is failure on deduction part also in some cases. Hence, we are unable to quantify the amount of such default in the absence of information in the manner so required. In case of TDS, there is delay in some of the units with respect to deduction and payments.
- The Company has not charged GST on supervision charges during the year in most of the cases.
- The Company is not regular in depositing Sales Tax, Labour Cess and Professional Tax liability.

## 16. Disputed Matters

- **Disputed outstanding of Divisional Electric Engineer (G), Eastern Railway, Dhanbad, pending since 1999.**

Under the Daltonganj Circle, one consumer (Consumer No- L-2), Divisional Electric Engineer (G), Eastern Railway Dhanbad has outstanding receivable of Rs. 416Cr. as per bill no F18081000642. During the scrutiny of the bill of this customer, we observed that arrear was on account of Delay Payment Surcharge (DPS). The Company is charging DPS on the receivables on a monthly basis since inception which remains unpaid. As per the information and explanation received, it was due to dispute of quantum of load and as



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per the agreement. The Company has not provided any information and details of such arrears.

Such recognition of DPS as income when the recovery itself is uncertain is in contravention of Ind AS 18.

We are also unaware and has not been provided any information as to what extent, the outstanding amount is realizable further, since party wise details of provisions are not there, we are also unaware as to how much provision have been made for this.

- **Dispute with M/s Sterling Transformer**

In Jamshedpur area, there is a dispute of payment of Rs. 2.37 Cr. payable to M/s Sterling Transformer (Computer billing agency) since F.Y. 2010-11. Under the direction of Honourable High Court of Jharkhand, Ranchi, DGM held a hearing and passed the order in favour of JBVNL. The area had already paid Rs 0.78 Cr. as an advance to such Company in F.Y. 2010 and such amount is still carried forward as an advance while no action has been taken to take back such amount from Sterling Transformer. Consequently, Non Current Assets is overstated by Rs. 0.78 Cr. and since the amount pertains to JSEB period, the restructuring account is under stated by same amount.

We are unable to form any opinion on this as complete documents and details regarding the case have not been provided to us.

- **Dispute with DVC**

Based upon the information received from the management, attention is invited to the disputed case of Power purchased from DVC (Damodar Valley Corporation). During the Financial Year 2017-18, DVC has billed to JBVNL for Rs 0.66 Cr. for the supply of power to Sainik Public School also, however, Company does not admit such bill and do not recognize its liability in such case. As we have not been provided the complete documents and detail regarding the same case, we are unable to form any opinion on the status of the same.

- **Dispute with Iragavarapu Vankata Reddy Construction Limited (IVRCL)**

The agreement of work of RGGVY projects in Latehar, Garhwa and Palamau districts of Jharkhand state which was awarded to M/s IVRCL vide work order no. 04/RE dtd. 30.12.06, 03/RE dtd 30.12.06 & 05/RE dtd 30.12.06 respectively was terminated and M/S IVRCL was blacklisted for any business with the Company in future. In 2013, during the course of dispute, JBVNL (Erstwhile JSEB) en-cashed all bank guarantee of M/S IVRCL and deposited into separate bank account in the form of fixed deposit receipt (FDR) with nationalized bank which cannot be withdrawn without court permission. On 14-06-2016, IVRCL submitted the claim against the Company for Rs 650.56 Cr. before the arbitral tribunal. At present the case is pending before NCLAT (National Company Law Appellate Tribunal), Jharkhand, where, Company has submitted its statement of defense



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and counter claim for Rs 3008.60 Cr. Therefore, contingent liabilities for Rs 650.56 Cr. have not been disclosed by the Company which is contravention of IND AS 37.

Further, such FDR amounting to Rs 182.52 Cr. is included under bank balance other than cash and cash equivalent as on 31st March, 2018.

The Company has recognized interest earned on such deposit amounting to Rs 37.68 Cr. as income till year 2016-17 instead of recording it as liability and hence retained earnings are overstated by such interest income and liability is understated by the same amount. In our opinion, the Company needs to correct the retained earnings and current liability to give true and fair picture of the Financial Statements.

However, during the current Financial Year Company has duly recognized such earned interest as liability in the Financial Statements.

## 17. Contingent liability and Commitments

Contingent liabilities of Rs 179.49 Cr. have not been disclosed in respect of letter of credit issued, Bank Guarantees claims, pending court, arbitration and legal cases, in accordance with Ind AS - 37 "Provisions, Contingent Liabilities and Contingent Assets.

## 18. Tax Matters

- We are unable to comment upon the Tax Assessments of Income Tax, sales Tax and Service Tax etc. because Company has not provided the details and copies of the order for the same.
- No deferred tax assets or Liability have been created nor disclosed by the Company in terms of Ind-AS 12 on account of timing differences.
- An amount of Rs 14.41 Cr. was deposited as advance to Income Tax department and Rs 4.94 Cr. was deposited as advance to Commercial Taxes in the FY - 2010-11 which was calculated on the value of work done by the various contractors under RE/Plan and same was transferred to JBVNL as opening balances. As informed by the Company, necessary action being taken for the refund of the amount. After its active consideration with income tax department where in DCIT, TDS Circle confirmed in writing that the challan of such deposit was still unclaimed as per the traces and thus can be claimed. The Company has also filed the case with Honorable High Court for refund WPC2027 of 2018 filed on 19th April, 2018. Currently, this is sub-judice. However, Company has not provided the details and a document for its verification so we are unable to comment on this.
- As per information and explanation received from the Company, during the FY 2017-18, it has deposited Rs 1.46 Cr. (20% of the total demand) on account of Appeal against the demand of TDS by Income Tax Department, on the supply of materials by the Contractors. We have sought but Company has not provided the details for the same so we are unable to comment upon truth and correctness of the fact.



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## 19. Compliance to MSME Act, 2006 to the Financial Statements

Dues under the MSME Act 2006 have not been disclosed; we have sought but not received details of outstanding from MSME Vendors. In absence of such information, no interests have been calculated and provided for in the Financial Year 2017-18, wherever it was applicable.

## 20. Bank and other Borrowings

- As per Sanction order dated 16th December, 2017, received from Allahabad Bank, Company was sanctioned Cash Credit Limit (CC) and Letter of credit (LC) of Rs. 110 Cr. and 200 Cr., respectively against the hypothecation of stock and book debts of the Company. As per information and explanation received from the Company, the transactions and the liability towards the Bank has been recorded in the books of holding Company and the corresponding liability in the books of Company has been recorded towards the holding Company. However, in absence of Cash Credit statement and other relevant documents issued by Allahabad bank, we are unable to comment truth and correctness of the transaction whether Company has not utilized the limit it is omitted in Book of accounts. However, in our opinion, Company has neither complied with Ind AS-23 nor Ind AS 37.
- Company has not made any disclosures as to creation of charges, terms, repayments and securities of the borrowings as required under Schedule III of the Companies Act, 2013.
- The Company has borrowed Rs 270.79 Cr. from PFC. Out of the said amount, no documents were provided for loan amounting to Rs 77.79 Cr.
- The Company has not provided the penal charges of Rs 4.74 Cr. @ 2.5% on unpaid amount of principle (Rs 290.79 Cr.) and interest (Rs 370.27 Cr.) which has become due for payment as on 31st March 2018 in terms of the loan agreement with the bank. Such outstanding of principal as well as interest that have been disclosed under note no 30.8 on borrowings in the Financial Statements.

## 21. Related Party Transaction and Disclosures

- The Company has booked administrative expenses of Rs 17.28 Cr. and Income of Rs 0.33 Cr. on the basis of debit/Credit note received from its holding Company the same could not be verified by us in the absence of proper documents related to us.
- The above said transition has not been disclosed under the related party transaction disclosure as per requirement of Schedule III of Companies Act, 2013.
- We are unable to comment whether all transactions with the related parties are in compliance with Section 188 of Companies Act, 2013 and whether the complete details have been disclosed in the Financial Statements as required by the Ind AS24, Related party disclosure specified under section 133 of the Act read with rule of The Companies (Indian Accounting Standards) Rules, 2015.





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## • Other Disclosures

- The carrying cost of Investment in PVUNL has not been recalculated under equity method as required under IND AS 28 and not disclosed accordingly. Further, there is a difference between the value of investment and share application money shown in company's books and as shown in the books of PVUNL by Rs 42.58 Cr.
- Borrowed Funds of Rs. 290.79 Cr. are not disclosed under borrowings. They are wrongly classified as other current liabilities, which are in violation of schedule III of Companies Act, 2013.
- The company has not made disclosure for Trade Receivable under "Secured Considered Good", "Unsecured Considered Good" and "Doubtful" as per the Schedule III of the Companies Act, 2013.
- The company changed its accounting policy of amortizing receipts from consumers for capital works. However, it was not reflected in the accounting policy.

## 22. Other Matters

- The Company has debited a sum of Rs8.21 Cr.(P.Y.s Rs.3.08 Cr.) as electricity charges for all its units. The electricity charges have been accounted through books adjustment i.e by crediting debtors and debiting electricity charges. They have provided us a statement signed by EEE of respective division which were supported by some bills. However, totaling of such bills did not match with the statements. Further, most of the amounts appearing in the bills were as "Arrear" i.e belonging to earlier years; however, they have been accounted in current year as normal expenditure. A portion of the said amount should have been accounted as prior period expenses giving effect to retained earnings as required under Ind AS 8. In the absence of proper breakup we are not able to quantify the amount of prior period.
- Company records various receipt under miscellaneous receipt, which for the F.Y.2017-18 is reported at Rs 6.37 Cr. (P.Y. Rs 3.50 Cr.) Similarly, Company has recorded miscellaneous expenses of Rs 0.34 Cr. Detailed break-up of these expenses were not provided to us. Further, the Company has not followed the requirement of disclosure as per schedule III of Companies Act, 2013.
- The company did not provide any details on the supervision charges accounted for Rs 1.82 Cr.
- The company made short accounting of accrued interest on fixed deposits amounting to Rs. 0.0013 Cr.
- The company has made short provisions of its expenses by Rs. 23.04 Cr.

We therefore conclude that proper books of accounts have not been maintained and that they do not give the information in the manner so required under the Act in conformity with accounting principles generally accepted in India (including the Ind AS) of the Company as on 31st March, 2018. We can also state that we have not received the information and explanation that were necessary for the purposes of our Audit.



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## **23. Non compliances of other Secretarial requirements:**

- a. Non appointment of Woman Director as required u/s 149 of companies Act 2013.
- b. No Cost Audit u/s 148 of companies Act 2013 has been conducted for the F.Y. 2016-17 and 2017-18.
- c. Non-disclosure of interest one incoming Director namely Mr. Sukhdev Singh in the first Board Meeting, in form MBP-1 as required u/s 184(1) of Companies Act, 2013. However, he had disclosed his interest in the second Board Meeting held on 5th July 2018.
- d. No Board Resolution has passed by the Company as required u/s 128 and accordingly no notice is given to Registrar of Office(ROC), for maintaining the book of accounts at different units(i.e. areas, circles and divisions)
- e. Non filing of Financial Statements (AOC-4) for FY 2013-14 to 2016-17
- f. The Non-maintenance of register in form MBP-4 for related party transactions as required u/s 189 of the Companies Act, 2013.
- g. Non-filing of Form AOC-2 containing disclosure of particular of contract or arrangement entered into by the Company with related party which is required as per section 134(3)(h), read with Rule 8(2) of the Companies (Accounts) Rule, 2014.
- h. Violation of section 180(1)(a) of the Companies Act, by borrowing more amount than approved by resolution at AGM.
- i. As per the minutes of the proceedings of the first AGM held on 22nd December, 2014, JBVNL had passed a resolution for borrowing up to Rs. 2500 Cr., however, JBVNL has exceeded the approved amount which has resulted in violation of the said section.
- j. The Company had total borrowing of Rs. 7839.94 Cr. at the beginning of Financial Year 2017-18, which was more than the limit as prescribed in the special resolution in terms of section 180, Further; it has borrowed a sum of Rs. 718.31 Cr. during the year. Thus, these additional borrowings above the limit prescribed in the special resolution has not been supported by passing any other special resolution at the General Meeting as required u/s 180(1)(a). As informed and explained by the Company, the total debt of Rs 8558.25 Cr. outstanding as on 31st March, 2018 includes an amount of Rs. 6136.37Cr received in FY 2015-16. As stated by the Company and the MOU between Government of Jharkhand, Government of India and JBVNL and thereafter the correspondence by the Company, the amount of Rs 6136.37 Cr. will be converted into grant and Equity under UDAY Scheme for the financial turnaround of the Company. Thereafter, considering this approval of converting loan into Equity/Grant, remaining amount of loan of Rs. 2421.88 Cr. is within the limit of Rs 2500 Cr. as stated above.



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## Summary:

1. Proper Books of Accounts as required u/s 128 of the Companies Act have not been maintained.
2. Accounting policies followed by the company are inconsistency with Ind AS.
3. No Fixed Asset Register and proper records have been maintained neither has any physical verification been conducted.
4. CWIP Capitalization is pending.
5. Balance Confirmation for Trade Payable for Rs. 3,177.43 Cr. has not been provided.
6. We were not provided with the reconciliation of negative Cash in Transit of Rs. 132.29 Cr.
7. No confirmation has been provided for Imprest Cash of Rs. 9.93 Cr.
8. The Inter Unit Accounts of Rs. 136.27 Cr. has not been reconciled.
9. The company has not maintained party wise ledger of Keep Back Deposit & Penalty, Security Deposits, and Earnest Money Deposits etc.
10. The Net Realizable Value of inventory has not been assessed by the Management. The inventory has been valued at cost only not considering the NRV leading to violation of Ind AS-2.
11. There has been default in depositing statutory dues which have been given in paragraph 15 of the report.
12. Depreciation has not been charged on additions made during the Year.
13. Power purchase costs have been understated.
14. Non booking of delay payment surcharge has resulted in understatement of income.
15. Provision for doubtful debts is being made uniformly at the rate of 1% on the closing balance of debtors. No provision has been written off or written back in the absence of party wise details of provision.
16. There are some unexplained and static opening balance which have been detailed in Para 11 of the Audit Report.
17. Staff Advances existing due to secondment of employee from one unit to another unit have not been reconciled.
18. DPS is being recognized irrespective of the pending cases with the certain customer like Divisional Electrical Engineer (G), Eastern Railway Dhanbad which is pending since 1999.
19. Dues under MSME Act, 2006 have not been disclosed.
20. The company did not provide any details on the supervision charges accounted for Rs 1.82 Cr.
21. There has been non compliance of the Companies Act which has been detailed in Paragraph 24 of the Audit Report.



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## Report on Other Legal and Regulatory Requirements

1. As the Company is governed by Electricity Act, 2003, the provision of the said Act has prevailed wherever the provision of the Companies Act, 2013 are inconsistent with the Electricity Act, 2003.
2. As required by section 143(5) of the Act, on the basis of such check of the books and record of the Company as we considered appropriate and according to the information and explanation given to us, we give in the "Annexure B" a statement on the directions and sub-directions issued by the Comptroller and Auditor General of India, for the Company.
3. As required by Section 143(3) of the Act, we report that:
  - a) We report that, we have sought but could not obtain all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS Financial Statement, because Company do not maintain the books in the manner so required.
  - b) In our opinion, proper books of account as required by law relating to preparation of aforesaid consolidated Ind AS Financial Statements have not been kept so far as it appears from our examination of those books and report of the other auditors.
  - c) The Consolidated Balance Sheet and the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement and the consolidated statement of changes in equity dealt with by this Report are in agreement with the books of account maintained for the preparation of the Consolidated Ind AS Financial Statements.
  - d) In our opinion, and in terms of matters described in "Basis of Adverse Opinion paragraph", the accompanying Consolidated Ind AS Financial Statements do not comply with the Indian Accounting standards specified under Section 133 of the Act read with 'The companies(Indian Accounting standard)Rules, 2015, as reported.
  - e) In our opinion, the matters described in basis of adverse opinion paragraph and matter described in basis of Emphasis of Paragraph may have adverse effects on the functioning of the Company.
  - f) Being a Government Company, pursuant to the Notification No. GSR 463(E) dated 5th June 2015 issued by Ministry of Corporate Affairs, Government of India, Provisions of Sub -Section (2) of Section 164 of the Act, are not applicable to the Company and its Joint Venture Companies.
    - a) With respect to the adequacy of the Internal Financial Control over the Financial Reporting of the Company and its joint venture, incorporated in India and the operating effectiveness of such controls, refer to our separate report in "Annexure-C"
    - b) In our opinion and to the best of our information and according to the explanation given to us, we report as under with respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:

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- i. The Consolidated Ind AS Financial Statements has not disclosed the impact of pending litigations, which would impact their Financial Position on the Consolidated Financial Position of the Group.
- ii. Provision has been made in the consolidated financial statement as required under the applicable law or accounting standards for material foreseeable loss but we are unable to comment on the adequacy of the provision in the absence of availability of proper information. (Refer Para 7 of the Basis of Adverse opinion)
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company and its Joint Venture, incorporated in India.

**For Prakash Sachin & Co**  
**Chartered Accountants**  
**F.R.N: 012513C**

**CA Ratandeep Sinha**  
**Partner**  
**M.No - 308683**  
**UDIN: 21308683AAAAAE1708**  
**Date: 04-01-2021**  
**Place: Ranchi**



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## **“Annexure B” to the Independent Auditor’s Report**

**Report on the Directions of the Comptroller and Auditor General of India required under sub section 5 of Section 143 of the Companies Act, 2013 (“the Act”)**

### **Sub-Annexure-I**

**1: Whether the Company has the clear title/ lease deeds for freehold and leasehold respectively. If not, please state the area of freehold and leasehold land for which the title/ lease deeds are not available.**

As per the management, the Company holds the title deed of all the Fixed Assets that do physically exist; we have sought the documents but have not been provided. Hence we are not able to comment. Further, the Company does not maintain proper record of Fixed Assets. Therefore, in the absence of required document and details, we are unable to comment further on this.

**2: Whether there are any cases of waiver/write off debits/loans/interest etc., if yes, the reason thereof and amount involved.**

There was no case of waiver/write off debits/loans /Interest etc. as informed to us.

**3: Whether proper records are maintained for inventories lying with third parties & assets received as gifts/grants(s) from the Govt. or other Authorities.**

As per information and explanation received from Company, it does not have any inventory lying with any third party and hence no separate register is maintained. The Company has not maintained of Fixed Assets register and hence we are unable to comment on this.

### **Sub-Annexure-II**

**1. Whether the Company has taken the adequate measure to prevent encroachment of idle land owned by it, whether any land of the Company is encroached, under litigation, not put to use or declared surplus? Details may be provided.**

We have sought but neither provided with the details of encroachment of idle land owned by the Company nor the litigation pertaining to such encroachment, hence we are unable to comment on this. However, the Company through its management representation letter has stated that it has no such type of cases.

**2. Whether system in vogue for identification of projects to be taken up under the public private Partnership is in line with the guideline /Policies of the Government? Comment on deviation if any.**

According to the information and explanation given to us and examined by us, there are no projects that have been taken up under the public private partnership as on 31<sup>st</sup> March, 2018.

**3. Whether system for monitoring the execution of works vis-à-vis the milestone stipulated in the agreement is in existence and the impact of cost escalation. If any, revenue/losses from contractors, etc, have been properly account for in the books.**

During the process of audit, we have found that the consultants have been appointed by Company for monitoring of the ongoing turnkey projects. We have also found that the Company has deducted penalty/LD when work does not met the condition of the agreement.

The nature of the project is such that it requires specific technical knowledge to access the



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various reports of the consultants give details of milestone of the project. Further, in respect of cost escalation the impact of the cost can be analyzed at the time of actual payments only.

**4. Whether fund received/ receivable for specific scheme from Centre/State agencies were properly accounted for/utilized? List the case of deviation.**

As per information and explanation received from Company and details provided to us we have verified the transaction on test basis and found no deviation on those cases.

**5. Whether the bank guarantee have been revalidated in time.**

Yes, the bank guarantees have been revalidated entirely.

**6. Comment on the confirmation of balances of trade receivable, Trade payable, term deposit, bank account and cash obtained.**

We have not received the confirmation of Trade receivable, Trade payable (except few power suppliers namely NTPC, NHPC, PGCIL, POSOCO and DVC).

We have obtained the confirmation certificate in case of Term deposit, Bank account and Cash except for FDR amounting to Rs 13.15 Cr. and Bank Balances of few units.

**7. The cost incurred on abandoned projects may be quantified and the amount actually written -off shall be mentioned.**

As per information and explanation received from Company does not have any abandoned projects and hence no separate register is maintained.

**For Prakash Sachin & Co**

**Chartered Accountants**

**F.R.N: 012513C**

*Ratandeep Sinha*

**CA Ratandeep Sinha  
Partner**

**M.No - 308683**

**UDIN: 21308683AAAAAE1708**



**Date: 04.01.2021**

**Place: Ranchi**

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## Annexure C–to the Auditors’ Report

### Report on the Internal Financial Controls under Clause (I) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

In conjunction with our audit of Consolidated Financial Statement the Jharkhand Bijli Vitran Nigam Limited (“the Company”) as of and for the year ended 31<sup>st</sup> March 2018 we have audited the internal financial controls over financial reporting of the company and joint venture, which are company, incorporated in India as of date.

#### Management’s Responsibility for Internal Financial Controls

The respective board of directors of the company and joint venture which is a company incorporated India is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective 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 the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of Financial Statements, whether





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due to fraud or error.

We believe that the audit evidence obtained by us and the audit evidences obtained by the other auditor of the joint venture, incorporated in India, in terms of their reports referred to in the other matters paragraph below is sufficient and appropriate to provide a basis for our report opinion on the Company's Internal Financial controls over financial reporting.

## Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that

- (a) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Financial Statements.

## Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Basis of Adverse Opinion

In our opinion and according to the information and explanation given to us and based on our audit the Company and its joint venture which is incorporated in India have the following material weaknesses (listed below) have been identified in the operating effectiveness of the Company's internal control systems

1. Company has reported 31.67% Average Transmission and Commercial loss in the current financial year, while it has assured Jharkhand State Regulatory Commission to keep this loss under 25.4% for the year F.Y. 2017-18.
2. In our opinion, due to inadequacy of internal financial control, there is gap between actual and financial figures approved by JSERC order dated 27<sup>th</sup> April, 2018 as mentioned below:

Mumbai

Kolkata

New Delhi

Ranchi

Page 24



# Prakash Sachin & Co.

Chartered Accountants

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Sl. no.	Particulars		Approved by JSERC	Actual	Deviation
1	Total MUs sold	MU	9223	9520	297
2	Connected Load	MW	5605	7520	1915
2	Purchased Power	MU	12861	12878	17
3	AT&C Losses	%	25.4%*	31.67%	6.27%
4	Collection Efficiency	%	100%	84.86%**	-15.14%
5	Capital Investments	Rs. Cr.	5789	2605	-3184
6	Closing CWIP	Rs. Cr.	6480	4734	-1746
7	Power Purchase Cost	Rs. Cr.	5242	5937	695
8	Solar Energy	MU	38.8	39.47	0.67
9	Gross Fixed Assets	Rs. Cr.	7400	5963	-1437
10	Employee Costs	Rs. Cr.	221	216	-5
11	Depreciation	Rs. Cr.	223	225***	2
12	Interest Claim	Rs. Cr.	214	303	89
13	Loan Amount	Rs. Cr.	1308	718	-590
14	Provision for Bad Debts	Rs. Cr.	0	59	59
15	Total Revenue at existing tariff	Rs. Cr.	3799	3199	-600

\* AT&C is sum of Transmission Loss and Distribution Loss

\*\* Collection efficiency calculated by management is 84.86% against 100% stipulated. As it is calculated taking the value of debtors excluding of Provision for unbilled revenue.

\*\*\* Depreciation is calculated net of amortized amount of Grant and capital receipts from consumers

3. In our opinion the Company does not have effective internal control systems for ensuring timely capitalization of Fixed Assets as and when the same is ready for use due to delayed issue of completion certificate. This has potentially resulted into under capitalization and sub sequential impact on charging less depreciation.
4. In our opinion the Company does have internal control systems, but needs further improvement for ensuring timely closure of capital contract with supplier and determination of final amount/ liquidated damages and cost overrun to be charged for delay.
5. In our opinion the Company does not have effective internal control systems for reconciliation of vendors/contractors accounts pertaining to capital contract and Power purchase which could potentially result in some changes in Project cost reporting as well.
6. In central stores of the Company, on physical verification of store of the Company we have observed the following:
  - a) Company has not maintained the detailed classification and identification detail of store as to which head such inventories belongs i.e. Annual Development Programme head, Deposit head or store purchased for other capital work. Such non adherence to classification might have lead to difference in capital and revenue item of the inventory, impact of which has not been possible to quantify.
  - b) Gross delay in recording of the receipt and issue of inventories.



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- c) No proper accounting for scraps and rejects existing in the Company
- d) No proper shortage of material, material stored in the open and open to whether.
7. The Company has appointed internal auditors. However it needs to have separate dedicated department for internal audit to closely monitor the audit assignment and take remedial measures on audit observation in the timely manner.
8. The Company has made no classification of non-moving items and of slow moving items. Further, stock has also not been age wise classified. As per Para A39 of Jharkhand State Electricity Regulation Commission, 100% provision shall be made for non-moving stock for more than 3 years and 50% for more than two years. It has not been complied with.
9. We have not been given the details of stage and status of the ongoing Turnkey Project under various schemes. Hence, we are unable to comment upon status of completion of projects.

## Adverse Opinion

In our opinion, for matters described in " **Basis of Adverse Opinion paragraph**" the Company cannot be said to have in significant aspects several an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting cannot be said to have been operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

## Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the Adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to 1 (One) Joint Venture, incorporated in India, is based on the corresponding reports of the auditor of such company incorporated in India.

**For Prakash Sachin & Co**  
Chartered Accountants  
F.R.N: 012513C

  
CA Ratandeeep Sinha  
Partner  
M.No - 308683  
UDIN: 21308683AAAAAE1708



Date: 04.01.2021  
Place: Ranchi