

प्रधान महालेखाकार का कार्यालय (लेखापरीक्षा), झारखण्ड, राँची

संख्या: प्र.म.ले.(ले.प.)/AMG-I/JBVNL/A-184/2020-21/580 S71

दिनांक: 10.10.2022

11004

Dir. (Finance)
CS/JBVNL

सेवा में,

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Managing Director
Jharkhand Bijli Vitran Nigam Limited
1696/22
13-10-22

प्रबंध निदेशक
झारखण्ड बिजली वितरण निगम लिमिटेड
अभियंत्रण भवन, एच.ई.सी
धुर्वा
राँची - 834004

DY. G.M. (F&A), A/c.

14/10/22

Sri Saman (A/c Comp)

P. Animesh
19/10/22

विषय: Comments of the Comptroller and Auditor General of India under Section 143 (6) (b) of the Companies Act, 2013 on the Financial Statements of Jharkhand Bijli Vitran Nigam Limited and Comments of the Comptroller and Auditor General of India under Section 143 (6) (b) read with section 129 (4) of the Companies Act, 2013 for the year ended 31 March 2021.

महोदय,

उपरोक्त विषय पर इस कार्यालय का पत्र सूचना आवश्यक कार्रवाई हेतु अग्रसारित किया जा रहा है।

प्रबंध निदेशक (का.प.न.)
सं.नं. 4747-वि.3/18/22
आ.वि.वि.निगम लिमिटेड, राँची

Discussed on
19/10/2022
Directed to keep
in file
19/10/2022

संलग्नक: यथोपरि।

भवदीय

देवतकन कुमार
वरीय लेखापरीक्षा अधिकारी/ए.एम.जी-1



No.: PAG (AU)/AMG-I/A-184/2020-21/JBVNL/ 577

दिनांक/Date..10/10/2021.....

To

The Managing Director,
Jharkhand Bijli Vitran Nigam Limited,
Engineering Building
Dhurwa, Ranchi- 834004

Sub: Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of Companies Act, 2013 on the Financial Statements of Jharkhand Bijli Vitran Nigam Limited and Comments of the Comptroller and Auditor General of India under Section 143 (6)(b) read with section 129 (4) of the Companies Act,2013 for the year ended 31 March 2021.

Sir,

I am to send the Comments of the Comptroller and Auditor General of India under Section 143(6)(b) of Companies Act, 2013 on the Standalone Financial Statements of Jharkhand Bijli Vitran Nigam Limited and Comments of the Comptroller and Auditor General of India under section 143(6) (b) read with section 129(4) of the Companies Act, 2013 on the Consolidated Financial Statement for the year ended 31 March 2021. The comments may be placed in the Annual General Meeting of the company and a copy of the minutes of the AGM may please be sent to this office. The Printed Annual Report (5 copies) of the company for the year 2020-21 may also be sent to this office.

Encl: As stated

Yours faithfully,

Deputy Accountant General (AMG-I)

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COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENT OF JHARKHAND BIJLI VITRAN NIGAM LIMITED, RANCHI FOR THE YEAR ENDED 31 MARCH 2021.

Preparation of the consolidated financial statements of **Jharkhand Bijli Vitran Nigam Limited**, Ranchi for the year ended 31 March 2021, in accordance with financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under section 139(5) read with section 129(4) of the Act is responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act, based on independent audit, in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 30 December 2021.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of **Jharkhand Bijli Vitran Nigam Limited**, for the year ended 31 March 2021, under section 143(6)(a) read with section 129(4) of the Act. We did not conduct a supplementary audit of the financial statements of Patratu Vidyut Utpadan Nigam Limited for the year ended on that date. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors, and is limited primarily to inquiries of the statutory auditors and company personnel, and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) read with section 129(4) of the Act which have come to my attention, and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

A. Comments on Profitability

1. Balance Sheet:Ref: Note 22: Provisions-₹ 662.16 crore.

‘Provisions’ do not include a sum of ₹1,805.08 crore being provisions for liabilities towards gratuity, pension and earned leave encashment.

JBVNL has provided only ₹ 635.66 crore against gratuity, pension and earned leave encashment, instead of ₹ 2458.74 crore, as per actuarial valuation report.

Thus, short provision of ₹1,805.08 crore has resulted in understatement of ‘Other current liabilities’ and understatement of ‘Loss’ by the same amount.

2. Balance Sheet :Capital Work in Progress- (Note-3B)-₹ 5194.02 crore

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‘Capital Work-in-Progress’ include an amount of ₹95.54 crore being interest on deemed loan (amount deducted directly by DVC from GoJ account for dues of JBVNL) capitalised as Capital Work-in-Progress.

As the amount of deemed loan was deducted directly by DVC, from GoJ account against the power purchase dues of JBVNL, interest thereon, if any, should have been treated as working capital loan and charged to Statement of Profit and Loss.

Capitalisation of interest on deemed loan, has resulted in overstatement of ‘Capital Work-in-Progress’, understatement of ‘Interest and Finance charges’ as well as understatement of ‘Loss’ by ₹95.54 crore.

3. Statement of Profit and Loss: Revenue from Operations (Note 23) – ₹4769.54 crore

‘Revenue from operations’ include an amount of ₹ 29.38 crore, charged as meter rent, from consumers. As per JSERC tariff order for 2019-20, effective from 1st April 2019, meter rent was not receivable from rural consumers.

Further, as per JSERC tariff order for 2020-21, effective from 1st October 2020, meter rent was not receivable from any consumer. JBVNL had booked ₹ 36.20 crore on account of meter rent under the head ‘revenue from operations’ as other operating revenue which included ₹28.09 crore accounted for as meter rent collected from rural consumers, and ₹1.29 crore collected from other than rural domestic consumers.

This has resulted in overstatement of ‘revenue from operations’ and understatement of ‘Loss’ by ₹ 29.38 crore each.

B. Comments on Financial Position

4. Balance Sheet: Capital Work in Progress- (Note-3B)-₹ 5194.02 crore

‘Capital Work-in-Progress’ does not include an amount of ₹4.38 crore, pertaining to storage and other charges, which should be charged to Capital Work-in-Progress, at the rate of 3 *per cent* of the cost of materials.

As per the accounting policy of JBVNL, other Capital Work-in-Progress, comprising direct cost, related incidental expenses and attributable interest, are carried at cost.

During preparation of estimates and work order, 3 *per cent* of the material cost has been taken as storage charge, considering it as related incidental expenses. However, while accounting for the issue of inventory from stores as Capital Work-in-Progress, only material cost and labour cost has been taken in the Capital Work-in-Progress.

This has resulted in understatement of ‘Capital Work-in-Progress’ and understatement of ‘Other expenses’ by ₹4.38 crore.

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5. Balance Sheet: Ref: Note 19: Trade Payables ₹8100.93 crore.

‘Trade Payables’ do not include provision of ₹ 440.83 crore, being revised demand of wheeling charges payable to JUSNL, for the period from April 2014 to March 2018 .

Though JUSNL has claimed the dues for wheeling charges, JBVNL has neither accounted for nor booked the above demand till 31.03.2021.

Non-provision for the above liability resulted in understatement of ‘Trade Payables’ and accumulated ‘Loss’ by ₹ 440.83 crore.

6. Statement of Profit and Loss: Ref: Note: 3A: Depreciation and Amortisation expenses – ₹1089.77 crore

‘Depreciation and Amortisation expenses’ does not include an amount of ₹3.17 crore, being depreciation to be charged on assets capitalised during the year, due to error in determining the actual date of completion.

As per the Policy of JBVNL, depreciation is to be charged when an asset is ready for use.

Audit noticed that, while determining the date of completion of the work, ESC, Giridih did not take into account, the actual date of completion of the work. Instead, the date of signature by the concerned officials, on the completion certificate was taken as the date of completion.

This has resulted in understatement of ‘Depreciation’ as well as ‘Loss’ by ₹ 3.17 crore.

7. Statement of Profit and Loss: Ref: Note: 29: Other expenses – ₹355.00 crore

‘Other expenses’ does not include an amount of ₹ 90.36 lakh being operation and maintenance (O&M) expenditure booked under Capital Work-in-Progress.

The above amount pertained to inventory issued under O&M Head from Central stores, Giridih and Sahibganj, which was mainly for operation and maintenance of the assets created. However, due to non-availability of materials under O&M Head, the same was issued from Annual Development Plan head and thus, wrongly booked under Capital Work-in-Progress.

Thus, wrong booking of the same has resulted in understatement of ‘Other expenses’ and overstatement of ‘Capital Work-in-Progress’ by ₹ 90.36 lakh.

8. Statement of Profit and Loss: Ref: Note 23: Revenue from operations: ₹4769.54 crore

‘Revenue from operations’ do not include an amount of ₹ 1.35 crore, being rebate to be allowed to consumers, for delayed billing. As per clause X of JSERC tariff order for 2020-21, effective from 1st October 2020, the Commission had introduced rebate, on delayed

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billing to consumers, to promote prompt billing by the Licensees. In case the bill is not received, for two continuous billing cycles, a rebate at the rate of one *per cent*, on the bill amount per month, for delay beyond two months, or part thereof, shall be applicable, subject to a ceiling of three *per cent*.

Test check of records of Electric Supply Circles, Giridih and Dhanbad, revealed that, rebate amounting to ₹1.35 crore, was not allowed to the consumers, although billing was not done, for two or more continuous billing cycles.

9. Balance Sheet: Ref: Note 22 : Provisions-Current ₹ 662.16 crore.

‘Provisions’ do not include liabilities amounting to ₹ 41.17 crore payable towards Employers contribution to National Pension System (NPS), applicable to the employees of the company.

As on March 2021, ₹41.17 crore of NPS Employers contribution, pertaining to the period from 2014-15 to 2017-18, was outstanding. Hence, the same should have been accounted for as liabilities and provision should have been made in the Accounts.

Non-provision of outstanding contribution for NPS resulted in understatement of ‘Provisions’ and ‘Loss’ by the same amount.

10. Statement of Profit and Loss: Depreciation and Amortization expenses – (Note-3A)-₹ 1089.77crore

‘Depreciation and Amortisation expenses’ do not include an amount of ₹ 2.75 crore, being depreciation for the year 2020-21 to be charged on assets worth ₹33.62 crore handed over by DVC to ESE, Dhanbad, on 19 May 2014. The same was capitalized belatedly on 31 March 2021 and accordingly depreciation of ₹ 64986.67 was charged for one day only (for 31st March 2021), during FY 2020-21. Since, the assets were being used since 19 May 2014, depreciation for the whole financial year was required to be charged.

This has resulted in understatement of ‘Depreciation’ as well as ‘Loss’ by ₹ 2.75 crore.

11. Statement of Changes in Equity : Prior Period adjustment-(₹331.64)

‘Prior Period Adjustment’ does not include an amount of ₹ 21.53 crore being depreciation for prior periods from 2014-15 to 2019-20, required to be charged on the assets worth ₹33.62 crore handed over by DVC to ESE, Dhanbad, on 19 May 2014 and capitalized on 31 March 2021. Since, the assets were being used since 19 May 2014, depreciation of ₹21.53 crore for the period from May 2014 to 31 March 2020 was required to be charged as prior period expenses.

This resulted in understatement of ‘Prior period expenses’ and accumulated ‘Loss’ by ₹21.53 crore.

12. Balance Sheet: Ref: Consumers’ security Deposit-(Note 16): ₹ 1127.02 crore

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Interest payable on security deposit: ₹ 59.50 crore.

‘Consumers’ Security Deposit’ does not include interest on security deposit amounting to ₹1.09 crore paid to HT consumers in ESC, Dhanbad. As per statement provided by the Revenue Wing, interest on security deposit paid/adjusted in respect of the above HT consumers, was ₹1.73 crore, whereas only ₹63.62 lakh was booked in the accounts, as interest on security deposit paid during 2020-21 and the remaining amount was adjusted against bills.

This resulted in overstatement of liability and understatement of revenue by ₹1.09 crore.

13. Statement of Profit and Loss: Purchase of Power and Transmission charges: (Note 26) – ₹5954.74 crore

‘Purchase of Power and Transmission charges’ does not include Delayed Payment Surcharge (DPS), amounting to ₹ 25.98 crore, payable as on March 2021. As per bill for power purchase from TVNL for March 2021, an amount of ₹ 25.98 crore, was payable to TVNL, on account of DPS. However, the same has not been accounted for in the accounts on accrual basis.

Non-provision of the above liability towards DPS, has resulted in understatement of ‘Purchase of Power and Transmission charges’, ‘Loss’ as well as ‘Other Current Liabilities’ by ₹ 25.98 crore.

14. Statement of Changes in Equity: Prior period Adjustments – (₹ 3.31 crore)

‘Prior Period Adjustments’ do not include an amount of ₹ 113.20 crore being the amount receivable from Tenughat Vidyut Nigam Limited (TVNL) pertaining to the period 2014-15. As per the order of Jharkhand State Electricity Regularity Commission (JSERC), ₹113.20 crore was to be passed on by the TVNL to the JBVNL (being the excess amount billed by TVNL to JBVNL during 2014-15). Thus, in view of the above order, ₹113.20 crore should have been accounted for as prior period income.

This has resulted in understatement of prior period income and overstatement of accumulated loss by ₹ 113.20 crore.

15. Statement of Profit and Loss Statement : Consumer Security Deposit-(Note 16)- ₹1127.02 crore

‘Consumers’ Security Deposit’ does not include ₹ 4.82 crore, being interest on security deposit, required to be provided for during 2020-21. As per supply code, SBI base rate as on 1st April of the concerned financial year, which was 8.15 *per cent* on 1st April 2020, was to, be considered for calculating interest on security deposit. However, the Company has calculated security deposit at 7.4 *per cent*. This resulted in short provision of ₹4.82 crore.

16. Statement of changes in Equity: Prior Period Adjustments- ₹3.32 crore

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'Prior Period Adjustments' does not include inventories valued at ₹70.18 lakh, issued from Transformer Repairing Workshop, Chas, during the prior period from 2018-19 to 2019-20. Audit observed that, entry of ₹1.11 crore was made in the books of accounts, under the head 'R&M line cable', in the FY 2020-21, which includes amount of ₹70.18 lakh for the prior period from 2018-19 to 2019-20.

This resulted in overstatement of expenses for the year under 'R&M line cable' amounting to ₹ 70.18 lakh and understatement of 'Prior Period Adjustments' to the same extent.

C. General

17. Balance Sheet :Ref :Note 20: Other Current Financial liabilities :₹ 6835.43 crore

'Other Current Financial Liabilities' includes provision made for computer billing of M/s. Sai Computer amounting to ₹3.22 crore, against which payment of ₹2.43 crore, was made by ESA, Giridih, and accordingly debit note was also issued to ESC, Giridih, audit noticed that, since payment was already made on behalf of ESC, Giridih, provision of only ₹ 79.18 lakh was required to be made, and ₹ 2.43 crore being shown in the O.S. Liabilities for Establishment was to be transferred under Circle current account (which is further consolidated under Inter unit balances in final accounts).

Non-adjustment of above heads has resulted in overstatement of 'O.S. Liabilities' for Establishment' (current liabilities) and overstatement under 'Inter-unit balances' by ₹2.43 crore.

18. Statement of Profit and Loss :Other expenses-Note 29-₹355 crore

'Other expenses' do not include bill of ₹22.63 lakh of computer billing agency (M/s. SAR Technology) which pertains to the FY 2020-21 in ESA, Dhanbad. Since the accounts are prepared on accrual basis, the above expenditure was to be booked in the current year account.

This has resulted in understatement of 'Other expenses' and 'Loss' for the year.

19. Ref: General

JBVNL had provisioned ₹10.17 crore for interest repayment for 2020-21, and ₹1.89 lakh for delayed payment for RGGVY and XIIth plan, at the rate of 13 *per cent* and 9.5 *per cent* respectively. However, in the absence of any loan agreement and other requisite documents, in support of interest rate applied for quantifying interest amount, Audit could not quantify the correctness of the provision made for RGGVY and XIIth plan.

20. Ref: General: Other significant accounting policies: Property, plant and equipment

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As per para 18 of Ind AS 1, an entity cannot rectify inappropriate accounting policies, either by disclosure of the accounting policies used, or by notes or explanatory material. Further, the accounting policy, with respect to depreciation, is guided by the orders of JSERC.

As per JSERC schedule of depreciation, Metering equipment were to be depreciated at the rate of 12.77 *per cent*, whereas Plant and Machinery were to be depreciated at the rate of 7.84 *per cent*. Further, it was noticed that JBVNL has disclosed, that Metering equipment, have been included in Plant and Machinery, in violation of JSERC orders. However, in the absence of proper records regarding capitalisation of Metering equipment, Audit was unable to quantify, the related short charging of depreciation, on the capitalised metering equipment.

21. Ref: General

- Covid rebate of ₹15 crore in the NTPC bill which is an extraordinary item was shown under rebate instead of under extraordinary item.
- As on March 2021, total dues recoverable from HEC, as per HEC account was ₹11,846.64 lakh. However, as per JBVNL accounts, only ₹11,711.48 lakh was receivable from HEC, as of 31st March 2021. The difference should have been reconciled or disclosed with reasons.
- As per agreement entered under DDUGJY/DDUGJY XIIth Plan, GoJ is the custodian of the assets created, and JBVNL is authorized, to operate and maintain these assets, to effect power supply in the project area, and derive benefit out of the assets created, under the DDUGJY/DDUGJY XIIth Plan. This fact should have been disclosed in the accounts with total value of assets created under the above schemes.
- In the Financial Statement, 'Profit and Loss statement', should be 'Statement of Profit and Loss'.
- In face of Balance Sheet, sub-total of II has been shown as 'Total'. It should have been 'Total Equity and Liabilities'.
- Statutory Auditor, vide Para 5 of Annexure A, as referred in basis of opinion paragraph, has commented that, Physical Verification of Inventories were done during the FY 2020-21 and Physical Verification report has been furnished to them. However, Audit found that no physical verification was done in the Central Stores/ TRW during 2020-21. Thus, the Statutory Auditors remark is incorrect to that extent.

22. Balance sheet

Ref: Trade Receivables (Note-8): ₹4318.29 crore

As per Energy Department, Government of Jharkhand, resolution.No. 684 dated 08 March 2019, JBVNL would be provided subsidy only against the amount realised from consumers, against the energy bills.

Energy Department had provided subsidy of ₹1,350 crore (101.60 *per cent*), against the claim of ₹1,328.70 crore, passed on to consumers under different tariffs by JBVNL during 2019-20. Test-check of RS-I of JBVNL revealed that, JBVNL had claimed subsidy against DSI (A), DSI (B), IAS I, IAS II and SSI tariff consumers amounting to ₹792.04 crore, against the total bills raised for energy charges, amounting to ₹1,060.10 crore. The balance amount of ₹268.06 crore, was to be realised from the concerned consumers. However, the realisation against ₹268.06 crore was only ₹43.41 crore. Thus, JBVNL was eligible for only ₹100.55 crore as corresponding subsidy and the remaining amount of subsidy (against which no payment has been received from consumers) should have been shown as liabilities. Further, JBVNL was not eligible for subsidy on urban commercial consumers. However, it had claimed ₹ 67.63 crore, as subsidy, against urban consumers.

Considering that 101.60 *per cent* of claimed subsidy was provided by the Energy department, JBVNL had received subsidy ₹873.42 crore {101.60 *per cent* of ₹ 859.67 crore (₹792.04 crore + ₹67.63crore)} from the above consumers.

This resulted in understatement of 'Sundry debtors for sale of power' and 'Other current liabilities' (as un-availed subsidy) by ₹772.87 crore (₹873.42 crore - ₹100.55 crore).

For and on behalf of the
Comptroller & Auditor General of India

(Anup Francis Dungdung)
Accountant General (Audit)
Jharkhand, Ranchi

Place: Ranchi
Date: 10-10-2022

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**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA,
UNDER SECTION 143 (6)(b) OF THE COMPANIES ACT, 2013 ON THE
FINANCIAL STATEMENT OF JHARKHAND BIJLI VITRAN NIGAM LIMITED,
RANCHI FOR THE YEAR ENDED 31 MARCH 2021.**

Preparation of the Financial Statements of **Jharkhand Bijli Vitran Nigam Limited (JBVNL)**, Ranchi for the year ended 31 March 2021, in accordance with the financial reporting framework prescribed under the Companies Act, 2013, is the responsibility of the management of the Company. The Statutory Auditor, appointed by the Comptroller and Auditor General of India, under Section 139(5) of the Act, is responsible for expressing opinion on the financial statements, under Section 143 of the Act, based on independent audit, in accordance with the standards on auditing, prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report, dated 30 December 2021.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the Financial Statements of **Jharkhand Bijli Vitran Nigam Limited**, Ranchi for the year ended 31 March 2021, under Section 143(6)(a) of the Act. This supplementary audit has been carried out independently, without access to the working papers of the statutory auditors, and is limited primarily to inquiries of the statutory auditors and company personnel, and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters, under section 143(6)(b) of the Act, which have come to my attention, and which in my view are necessary, for enabling a better understanding of the Financial Statements and the related Audit Report.

A. Comments on Standalone Profitability

1. Balance Sheet: Ref: Note 22: Provisions- ₹ 662.16 crore.

‘Provisions’ do not include a sum of ₹1,805.08 crore being provisions for liabilities towards gratuity, pension and earned leave encashment.

JBVNL has provided only ₹ 635.66 crore against gratuity, pension and earned leave encashment, instead of ₹2458.74 crore, as per actuarial valuation report.

Short provision of ₹1,805.08 crore has resulted in understatement of ‘Other current liabilities’ and understatement of ‘Loss’ by the same amount.

2. Balance Sheet :Capital Work in Progress- (Note-3B)- ₹ 5194.02 crore

‘Capital Work-in-Progress’ include an amount of ₹ 95.54 crore being interest on deemed loan (amount deducted directly by DVC from GoJ account for dues of JBVNL) capitalised as Capital Work-in-Progress.

As the amount of deemed loan was deducted directly by DVC, from GoJ account against the power purchase dues of JBVNL, interest thereon, if any, should have been treated as working capital loan and charged to Statement of Profit and Loss.

Capitalisation of interest on deemed loan, has resulted in overstatement of 'Capital Work-in-Progress', understatement of 'interest and Finance Charges' as well as understatement of 'Loss' by ₹ 95.54 crore.

3. Statement of Profit and Loss: Revenue from Operations (Note 23) – ₹4769.54 crore

'Revenue from operations' include an amount of ₹ 29.38 crore, charged as meter rent, from consumers. As per JSERC tariff order for 2019-20, effective from 1st April 2019, meter rent was not receivable from rural consumers.

Further, as per JSERC tariff order for 2020-21, effective from 1st October 2020, meter rent was not receivable from any consumer. JBVNL had booked ₹ 36.20 crore on account of meter rent under the head 'revenue from operations' as other operating revenue which included ₹ 28.09 crore accounted for as meter rent collected from rural consumers and ₹1.29 crore collected from other than rural domestic consumers.

This has resulted in overstatement of 'revenue from operations' and understatement of 'Loss' by ₹29.38 crore each.

B. Comments on Financial Position

4. Balance Sheet: Capital Work in Progress- (Note-3B)-₹ 5194.02 crore

'Capital Work-in-Progress' does not include an amount of ₹4.38 crore, pertaining to storage and other charges, which should be charged to Capital Work-in-Progress, at the rate of 3 *per cent* of the cost of materials.

As per the accounting policy of JBVNL, other Capital Work-in-Progress, comprising direct cost, related incidental expenses and attributable interest, are carried at cost.

During preparation of estimates and work order, 3 *per cent* of the material cost has been taken as storage charge, considering it as related incidental expenses. However, while accounting for the issue of inventory from stores as Capital Work-in-Progress, only material cost and labour cost has been taken in the Capital Work-in-Progress.

This has resulted in understatement of 'Capital Work-in-Progress' and 'Other expenses' by ₹4.38 crore.

5. Balance Sheet: Ref: Note 19: Trade Payables -₹8100.93 crore.

'Trade Payables' do not include provision of ₹ 440.83 crore, being revised demand of wheeling charges payable to JUSNL, for the period from April 2014 to March 2018 .

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Though JUSNL has claimed the dues for wheeling charges, JBVNL has neither accounted for nor booked the above demand till 31.03.2021.

Non-provision for the above liability resulted in understatement of 'Trade Payables' and accumulated 'Loss' by ₹440.83 crore.

6. Statement of Profit and Loss: Ref: Note: 3A: Depreciation and Amortisation expenses – ₹1089.77 crore

'Depreciation and Amortisation expenses' does not include an amount of ₹ 3.17 crore being depreciation to be charged on assets capitalised during the year, due to error in determining the actual date of completion.

As per the Policy of JBVNL, depreciation is to be charged when an asset is ready for use.

Audit noticed that, while determining the date of completion of the work, ESC, Giridih did not take into account, the actual date of completion of the work. Instead, the date of signature by the concerned officials, on the completion certificate, was taken as the date of completion.

This has resulted in understatement of 'Depreciation' as well as 'Loss' by ₹ 3.17 crore.

7. Statement of Profit and Loss: Ref: Note: 29: Other expenses – ₹355.00 crore

'Other expenses' does not include an amount of ₹ 90.36 lakh being operation and maintenance (O&M) expenditure booked under Capital Work-in-Progress.

The above amount pertained to inventory issued under O&M Head from Central stores, Giridih and Sahibganj, which was mainly for operation and maintenance of the assets created. However, due to non-availability of materials under O&M Head, the same was issued from Annual Development Plan head and thus, wrongly booked under Capital Work-in-Progress.

Thus, wrong booking of the same has resulted in understatement of 'Other expenses' and overstatement of 'Capital Work-in-Progress' by ₹ 90.36 lakh.

8. Statement of Profit and Loss: Ref: Note 23: Revenue from operations: ₹4769.54 crore

'Revenue from operations' do not include an amount of ₹1.35 crore, being rebate to be allowed to consumers, for delayed billing. As per clause X of JSERC tariff order for 2020-21, effective from 1st October 2020, the Commission had introduced rebate, on delayed billing to consumers, to promote prompt billing by the Licensees. In case the bill is not received, for two continuous billing cycles, a rebate at the rate of one *per cent*, on the bill amount per month, for delay beyond two months, or part thereof, shall be applicable, subject to a ceiling of three *per cent*.

Test check of records of Electric Supply Circles, Giridih and Dhanbad, revealed that, rebate amounting to ₹1.35 crore, was not allowed to the consumers, although billing was not done, for two or more continuous billing cycles.

9. Balance Sheet: Ref: Note 22 : Provisions-Current ₹662.16 crore.

‘Provisions’ do not include liabilities amounting to ₹41.17 crore payable towards Employers contribution to National Pension System (NPS) applicable to the employees of the company.

As on March 2021, ₹41.17 crore of NPS Employers contribution pertaining to the period from 2014-15 to 2017-18 was outstanding. Hence, the same should have been accounted for as liabilities and provision should have been made in the Accounts.

Thus, non-provision of outstanding contribution for NPS resulted in understatement of ‘Provisions’ and Loss by the same amount.

10. Statement of Profit and Loss: Depreciation and Amortization expenses – (Note-3A)-₹1089.77crore

‘Depreciation and Amortisation expenses’ do not include an amount of ₹2.75 crore being depreciation for the year 2020-21 to be charged on assets worth ₹33.62 crore handed over by DVC to ESE, Dhanbad, on 19 May 2014. The same was capitalized belatedly on 31 March 2021 and accordingly depreciation of ₹64,986.67 was charged for one day only (for 31st March 2021) during FY 2020-21. Since, the assets were being used since 19 May 2014, depreciation for whole financial year was required to be charged.

This has resulted in understatement of ‘Depreciation’ as well as ‘Loss’ by ₹2.75 crore.

11. Statement of Changes in Equity: Prior Period adjustment-(₹331.64)

‘Prior Period Adjustment’ does not include an amount of ₹ 21.53 crore being depreciation for prior periods from 2014-15 to 2019-20 required to be charged on the assets worth ₹33.62 crore handed over by DVC to ESE, Dhanbad, on 19 May 2014 and capitalized on 31 March 2021. Since, the assets were being used since 19 May 2014, depreciation of ₹21.53 crore for the period from May 2014 to 31 March 2020 was required to be charged as prior period expenses.

This resulted in understatement of ‘Prior period expenses’ and accumulated ‘Loss’ by ₹21.53 crore.

12. Balance Sheet: Ref: Consumers’ security Deposit-(Note 16): ₹ 1127.02 crore

Interest payable on security deposit: ₹59.50 crore.

‘Consumers’ Security Deposit’ does not include interest on security deposit amounting to ₹1.09 crore paid to HT consumers in ESC, Dhanbad. As per statement provided by the Revenue Wing, interest on security deposit paid/adjusted in respect of the above HT

consumers, was ₹1.73 crore, whereas only ₹63.62 lakh was booked in the accounts, as interest on security deposit paid during 2020-21 and the remaining amount was adjusted against bills.

This resulted in overstatement of liability and understatement of revenue by ₹1.09 crore.

13. Statement of Profit and Loss: Purchase of Power and Transmission charges:
(Note 26) – ₹5954.74 crore

‘Purchase of Power and Transmission charges’ does not include Delayed Payment Surcharge (DPS), amounting to ₹ 25.98 crore, payable as on March 2021. As per bill for power purchase from TVNL for March 2021, an amount of ₹ 25.98 crore, was payable to TVNL, on account of DPS. However, the same has not been accounted for in the accounts on accrual basis.

Non-provision of the above liability towards DPS, has resulted in understatement of ‘Purchase of Power and Transmission charges’, ‘Loss’ as well as ‘Other Current Liabilities’ by ₹ 25.98 crore.

14. Statement of Changes in Equity: Prior period Adjustments – (₹ 3.31 crore)

‘Prior Period Adjustments’ do not include an amount of ₹113.20 crore being the amount receivable from Tenughat Vidyut Nigam Limited (TVNL) pertaining to the period 2014-15. As per the order of Jharkhand State Electricity Regularity Commission (JSERC), ₹113.20 crore was to be passed on by the TVNL to the JBVNL (being the excess amount billed by TVNL to JBVNL during 2014-15). Thus, in view of the above order, ₹113.20 crore should have been accounted for as prior period Income.

This has resulted in understatement of prior period income and overstatement of accumulated loss by ₹ 113.20 crore.

15. Statement of Profit and Loss Statement : Consumer Security Deposit-(Note 16)-
₹1127.02 crore

‘Consumers’ Security Deposit’ does not include ₹4.82 crore, being interest on security deposit, required to be provided for during 2020-21. As per supply code, SBI base rate as on 1st April of the concerned financial year, was to be considered for calculating interest on security deposit which was 8.15 *per cent* on 1st April 2020. However, the Company has calculated security deposit at 7.4 *per cent* only. This resulted in short provision of ₹4.82 crore.

16. Statement of changes in Equity: Prior Period Adjustments- ₹3.32 crore

‘Prior Period Adjustments’ does not include inventories valued at ₹70.18 lakh, issued from Transformer Repairing Workshop, Chas, during the prior period from 2018-19 to 2019-20. Audit observed that, entry of ₹1.11 crore was made in the books of accounts, under the head

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'R&M line cable', in the FY 2020-21, which includes amount of ₹70.18 lakh for the prior period from 2018-19 to 2019-20.

This resulted in overstatement of expenses for the year under 'R&M line cable' amounting to ₹70.18 lakh and understatement of 'Prior Period Adjustments' to the same extent.

C. General

17. Balance Sheet :Ref: Note 20: Other Current Financial liabilities :₹6835.43 crore

'Other Current Financial Liabilities' includes provision made for computer billing of M/s. Sai Computer amounting to ₹3.22 crore, against which payment of ₹2.43 crore, was made by ESA, Giridih, and accordingly debit note was also issued to ESC, Giridih. Audit noticed that, since payment was already made on behalf of ESC, Giridih, provision of only ₹ 79.18 lakh was required to be made, and ₹2.43 crore being shown in the O S. Liabilities for Establishment was to be transferred under Circle current account (which is further consolidated under Inter unit balances in final accounts).

Non-adjustment of above heads has resulted in overstatement of 'O.S Liabilities' for Establishment'(current liabilities) and overstatement under 'Inter-unit balances' by ₹2.43 crore.

18. Statement of Profit and Loss: Other expenses-Note 29-₹355 crore

'Other expenses' do not include bill of ₹22.63 lakh of computer billing agency (M/s. SAR Technology) which pertains to the FY 2020-21 in ESA, Dhanbad. Since the accounts are prepared on accrual basis, the above expenditure was to be booked in the current year account.

This has resulted in understatement of 'Other expenses' and 'Loss' for the year.

19. Ref: General

JBVNL had provisioned ₹10.17 crore for interest repayment for 2020-21, and ₹1.89 lakh for delayed payment for RGGVY and XIIth plan, at the rate of 13 *per cent* and 9.5 *per cent* respectively. However, in the absence of any loan agreement and other requisite documents, in support of interest rate applied for quantifying interest amount, Audit could not quantify the correctness of the provision made for RGGVY and XIIth plan.

20. Ref: General: Other significant accounting policies: Property, plant and equipment

As per para 18 of Ind AS 1, an entity cannot rectify in appropriate accounting policies, either by disclosure of the accounting policies used, or by notes or explanatory material. Further, the accounting policy, with respect to depreciation, is guided by the orders of JSERC.

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As per JSERC schedule of depreciation, Metering equipment were to be depreciated at the rate of 12.77 *per cent*, whereas Plant and Machinery were to be depreciated at the rate of 7.84 *per cent*. Further, it was noticed that JBVNL has disclosed, that Metering equipment, have been included in Plant and Machinery, in violation of JSERC orders. However, in the absence of proper records regarding capitalisation of Metering equipment, Audit was unable to quantify, the related short charging of depreciation on the capitalised metering equipment.

21. Ref: General

- Covid rebate of ₹15 crore in the NTPC bill which is an extraordinary item, was shown under rebate instead of under extraordinary item.
- As on March 2021, total dues recoverable from HEC, as per HEC account was ₹11,846.64 lakh. However, as per JBVNL accounts, only ₹11,711.48 lakh was receivable from HEC, as of 31st March 2021. The difference should have been reconciled or disclosed with reasons.
- As per agreement entered under DDUGJY/DDUGJY XIIth Plan, GoJ is the custodian of the assets created, and JBVNL is authorized, to operate and maintain these assets, to effect power supply in the project area, and derive benefit out of the assets created, under the DDUGJY/DDUGJY XIIth Plan. This fact should have been disclosed in the accounts with total value of assets created under the above schemes.
- In the Financial Statement, 'Profit and Loss statement', should be 'Statement of Profit and Loss'.
- In the face of Balance sheet, sub-total of II has been shown as 'Total'. It should have been 'Total Equity and Liabilities'.
- Statutory Auditor, vide Para 5 of Annexure A, as referred in basis of opinion paragraph, has commented that, Physical Verification of Inventories were done during the FY 2020-21 and Physical Verification report has been furnished to them. However, Audit found that no physical verification was done in the Central Stores/TRW during 2020-21. Thus, the Statutory Auditors remark is incorrect to that extent.

22. Balance sheet

Ref: Trade Receivables (Note-8): ₹4318.29 crore

As per Energy Department, Government of Jharkhand, resolution No. 684 dated 08 March 2019, JBVNL would be provided subsidy only against the amount realised from consumers, against the energy bills.

Energy Department had provided subsidy of ₹1,350 crore (101.60 *per cent*), against the claim of ₹1,328.70 crore, passed on to consumers under different tariffs by JBVNL during 2019-20. Test-check of RS-I of JBVNL revealed that, JBVNL had claimed subsidy against

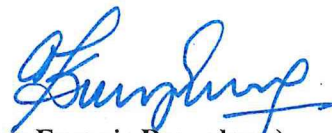
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DSI (A), DSI (B), IAS I, IAS II and SSI tariff consumers amounting to ₹792.04 crore, against the total bills raised for energy charges, amounting to ₹1,060.10 crore. The balance amount of ₹268.06 crore, was to be realised from the concerned consumers. However, the realisation against ₹268.06 crore was only ₹43.41 crore. Thus, JBVNL was eligible for only ₹100.55 crore as corresponding subsidy and the remaining amount of subsidy (against which no payment has been received from consumers) should have been shown as liabilities. Further, JBVNL was not eligible for subsidy on urban commercial consumers. However, it had claimed ₹67.63 crore, as subsidy, against urban consumers.

Considering that 101.60 *per cent* of claimed subsidy was provided by the Energy department, JBVNL had received subsidy ₹873.42 crore {101.60*per cent* of ₹ 859.67 crore (₹792.04 crore + ₹67.63crore)} from the above consumers.

This resulted in understatement of 'Sundry debtors for sale of power' and 'Other current liabilities' (as un-availed subsidy) by ₹772.87 crore (₹873.42 crore - ₹100.55 crore).

For and on behalf of the
Comptroller & Auditor General of India



(Anup Francis Dungdung)
Accountant General (Audit)
Jharkhand, Ranchi

Place: Ranchi
Date: 10-10-2022