JHARKHAND BIJLI VITRAN NIGAM LIMITED

ENGINEERING BUILDING
HEC, DHURWA
RANCHI – 834004

STANDALONE AUDIT REPORT
FY- 2019-20

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INDEPENDENT AUDITOR'S REPORT

To the Members of Jharkhand Bijli Vitran Nigam Limited

Report on the Audit of Standalone Ind AS Financial Statements

Adverse Opinion

We have audited the accompanying Standalone Ind AS financial Statement of Jharkhand Bijli Vitran Nigam Limited ("the Company"), which comprise the Balance Sheet as at 31st March 2020 and the statement of Profit & Loss Account (including the Statement of Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year ended and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to explanations given to us, except for the matters described in Paragraph (a) of the Basis of Adverse opinion paragraph, the said standalone Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2020 and its Profit/Loss, total comprehensive Income /Loss, its cash flows and the changes in equity for the year ended on that date.

Basis of Adverse Opinion

We conducted our audit of the Ind AS financial statements in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion on the Ind AS financial statements.

We draw attention to the matters described in **Annexure 'A'** the effect of which, individually or in aggregate, are material and pervasive to the Standalone Ind AS 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 of Matters

We draw the attention towards the points of **Annexure 'B'** of our report regarding matters referred in Standalone Ind AS Financial Statements, which requires user's attention.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our audit report.

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Other Matters

We draw the attention towards points of **"Annexure C"** of our report regarding the matters other than disclosed in Standalone Ind AS Financial Statements.

Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in Board's Report including Annexure to Board's Report, Director's Responsibility Statement, Corporate Governance and Shareholder's Information, but does not include the Standalone Ind AS Financial statements and our auditor's report thereon. The other Information is expected to be made available to us after the date of this auditor's report.

Our opinion on the Standalone Ind AS Financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

When we read those documents including annexure, if any thereon, if we conclude that there is a material misstatement therein; we shall communicate the matter to those charged with governance. We hereby report nothing in this regard.

Responsibilities of Management and those charged with Governance for the 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 Standalone Ind AS Financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company 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 financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Ind AS financial statements, 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.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Ind AS financial statements, including the disclosures, and whether the Standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Standalone Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably - knowledgeable user of the Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in:-

(i) planning the scope of our audit work and in evaluating the results of our work; and
(ii) To evaluate the effect of any identified misstatements in the Standalone Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order"), as amended, issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the **"Annexure D"** a statement on the matters specified in paragraph 3 and 4 of the Order.

   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.

   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 E"** a statement on the directions and sub-directions issued by the Comptroller and Auditor General of India, for the Company.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained the all information and explanation except to the matters detailed in Annexure-A and Annexure-B, which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) In our opinion, proper books of account as required by law have not been kept by the Company so far as appears from our examination of those books. The Books of Accounts have not been fully maintained under the accrual basis as required under section 128 of the Act.

   The branches (units) of the Company have been audited by us only.Hence, this clause is not applicable on the Company.

c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, the Cash Flow Statement and the Changes in Equity dealt with by this Report are in agreement with the books of account;

d) In our opinion, and in terms of matters described in "Basis of Adverse Opinion paragraph", the accompanying standalone Ind AS Financial Statements do not comply with the Indian Accounting standards specified under Section 133 of the Act, read with Companies(Indian Accounting standard)Rules, 2015, as reported;
   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.

e) The provision of this clause i.e., section 164(2) is not applicable upon Government Company vide notification No. GSR 463(E), dated 5-6-2015.

f) With respect to the adequacy of the Internal Financial Control over the Financial Reporting of the Company and the operating effectiveness of such control refer to our separate report in **"Annexure-F"** of this report.

g) 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:

(i) The Company has pending litigations w.r.t debtors as well as creditors, which have been disclosed in the Financial Statements. However, in the absence of information available to us, we are unable to comment upon the completeness of the same.

(ii) We are unable to comment on the adequacy of the provision made for the doubtful debts (Refer Para 6 of the Basis of Adverse opinion)

(iii) There has not been an occasion in case of the Company during the year under report to transfer any sums to the Investor Education and Protection Fund.

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Annexure A – Referred in Our Report under "Basis of Adverse opinion Paragraph

1. Maintenance of Proper Books of Accounts

In our opinion, the books of accounts maintained by Company is not adequate and satisfactory to give a true and fair view of the state of the affairs of the Company and such books so maintained is not 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 (Note – 3A,3B & 3C)

(i) PPE

- Particulars of Property, Plant & Equipments (PPE) require a thorough review as regard to location cost booked, deductions and identifications. The Company has shown land and other Fixed Assets with no identification or value for each fixed asset, as Company does not maintain Fixed Assets Register, Title Deeds of Immovable Properties and proper Project-wise details with cross references of capital work-in-progress. The total value of Fixed Asset as on 31.03.2020 stood at Rs. 9903.94 Cr. (P.Y. - Rs. 7574.75 Cr.)
- Land & Land Rights of Rs. 3.13 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.
- Value of other civil works amounting to Rs 1.59 Cr. has been wrongly classified under the head Land & Land Rights.
- We have not been provided the details of Assets taken over from pending final valuation amounting to Rs 0.21 Cr Further, the presentation of the same is not in line with the IND AS Schedule III.
- The Fixed Assets held by the Company has not been impaired on the reporting date as required under Ind AS-36.
- The disclosure regarding the carrying amount of temporarily idle property, plant and equipment were not made available as required under Ind AS – 16.
- The company has a policy to capitalize the expenses incurred under Annual Development Program (ADP), Deposit Head and Saubhagya head as and when incurred. Such amount is routed through CWIP and capitalized on the same date. No separate completion certificates are issued for the same. This is in contravention of requirements of Ind AS 16. The summary of such amount has been presented as follows:

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SL No	Assets Class	Head	Amount (In Crore)
01.	Line & Cable Network	Deposit (Head)	64.87
02.	Plant &Machinery	Deposit (Head)	14.25
03.	Line & Cable Network	ADP (Head)	126.64
04.	Plant &Machinery	ADP (Head)	24.01
05.	Other Civil Works	ADP (Head)	7.68
06.	Line & Cable Network	Saubhagya	40.66
05.	Plant & Machinery	Saubhagya	32.89
		Total	**311.00**

- Out of capitalization of balance amount of Rs 2921.26 Cr. under various schemes, we were not provided with the completion certificates for assets capitalized under other Schemes, summary of which is provided below:

SL No	Assets Class	Head	Amount (In Crore)
01.	Line & Cable Network	DDUGJY 12th Plan, IPDS, JSBAY, RAPDRP – B	55.78
02.	Plant & Machinery		13.95
		Total	**69.73**

- Ind AS schedule III requires Intangible Assets under development should be disclosed separately under the head Intangible assets under development but same has been disclosed under the head Capital work in progress.

- The company has capitalized the borrowing cost on proportionate basis instead of apportioning the cost for each underlying asset. Further, the company has segregated the interest expenses charged to Profit & Loss A/c on the opening assets capitalized till last year on a proportionate basis. Such action of the company is in contravention of Ind AS-23. In the absence of Fixed Asset register, we are unable to ascertain the actual impact of the same. (Refer Note 3B BS)

- The company has created assets on lands during the year. However, as the company has not provided us with the details of the owned leased lands and hence, we are unable to verify if the company acquired any additional lands or used the existing lands for such asset creation. In the absence of information, we are also not able to ascertain the actual impact of the same.

- In case of ADP head, the company does not derecognize old assets replaced with a new one from block of assets, due to this, value of assets under ADP head has been overstated by the book value of old asset which needs to be derecognized. The details of the same was not readily available with the company therefore in the absence of proper details we are unable to ascertain the actual impact of the same on the financial statement.

- The company is bifurcating the cost of line and cables network and plant and machinery in 80:20 ratio in case of capitalization under Deposit & ADP head which is in contravention of Ind AS 16 which requires reliable measurement of the cost of the assets.

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- The company has capitalized assets under ADP head since the F.Y. 2014-15 till 2019-20. However, borrowing cost has not been capitalized for assets capitalized till F.Y. 2017-18. The company capitalized Rs. 45.34 Cr. in the F.Y. 2019-20 which pertains to assets capitalized in the F.Y. 2019-20. This has resulted in understatement of the value of Fixed Assets with respect to assets capitalized till the F.Y. 2017-18. Total balance of interest expense in CWIP under ADP head was Rs. 521.69 Cr. as on 31st March, 2020. In the absence of complete details/fixed asset register, we are unable to quantify the impact of such non-capitalization of interest.

(ii) CWIP

- Out of total capital work in progress excluding interest & Finance charges as on 31.03.2020 amounting to Rs 5167.64 Cr. (P.Y. – Rs. 4776.45 Cr) we have not been provided the scheme wise bifurcation of CWIP of Rs 1424.37 Cr. The details of same were not readily available with company.
- 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.
- Allocation of Employee Costs and other overheads towards the capital project work is not done in the absence of proper information.
- In case of Turnkey projects, the company does not make the provisions related to erection expenses on accrual basis, they only recognize the installation and assembly cost on the basis of the amount which has been furnished in JMC after completion of project. Due to this carrying amount of CWIP in the financial statement are understated, in the absence of proper information we are unable to quantify the amount for same.

4. Other Non-Current Assets (Note – 6)

- **Capital Advances:** During the audit we observed that the company maintains the register of capital advances made to turnkey contractors. However, party wise accounting ledger has not been maintained by the Company in respect of Capital Advances (mobilization advances) as on 31.03.2020. The closing balance was Rs. 464.59 Cr. (P.Y. Rs. 502.12 Cr.). Such advances are made to supplier for carrying out turnkey projects under various schemes. Confirmations of balances are not available. The company has classified all advance amounts under non-current assets which is improper. Advances which are going to be adjusted within next 12 months from the date of balance sheet should be shown under the current assets, as per the requirement of Ind AS Schedule III. Due to lack of information, we are unable to quantify the amount for the same and due to these Non-Current assets are overstated by the same.

- Interest received on such mobilization advances are recognized on cash basis this is in contravention of Ind AS -1 which requires recognition of income on accrual basis. In the absence of information, we are unable to quantify the impact of this on the standalone financial statements.

- **Others:** Complete details /information of 'others receivable' of Rs. 13.29 Cr. (P.Y.- Rs. 2.39 Cr.) are not readily available with the company. It includes un-reconciled amount which is identified from 26AS, payment towards owing for License if Rs. 0.47 Cr. and Rs.0.38 Cr. old claim which is brought forward since date of inception, which is remained unascertained till date. Hence, we cannot comment upon truthfulness & fairness of the balances and impact of the same is also not possible to quantify.

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5. Inventories and stores (Note - 7)

- As per the explanation received from the Company, the company has conducted the physical verification of Inventories during the F.Y. 2019-20 in respect of all locations in which inventories are being maintained and accordingly physical verification report has been furnished to us. The year-end balance of inventories is Rs 250.16 Cr. (P.Y. – Rs. 255.31 Cr.). As per the explanation provided to us, the company has reconciled the stock value of books with the stores value based on the physical verification and identified a difference of stock amounting to Rs. 0.86 Cr. which has been booked under the head stock difference pending for verification. In the absence of proper records, we are unable to comment on the same.
- As per the policy of the management, Company has valued the inventories at cost, which is in contravention with Ind AS-2. As per Ind AS-2, inventory should be valued at cost or NRV, whichever is lower.
- Inventory ageing and obsolete items have not been assessed by management and are being carried at same carrying amount in the financial statements. No provision has been made for obsolete/discarded inventories. As per JSERC guidelines, 100% provision shall be made for non-moving stock for more than 3 years and 50% for more than two years. Since exact value of same is not available with us, we are unable to quantify the impact of the same on the Ind AS financial statements.
- The company has not provided quantitative details as well as valuation of scrap as on 31.03.2020. In the absence of the same we are unable to quantify the impact of the same in the Ind AS financial statements.
- The Company does not follow the proper operative procedure for valuation of stock in case of issuing inventory for departmental work or transferring within circle or area through Stock issue voucher. During the audit, we have verified it on sampling basis and found that those were not updated and correct.
- Rate wise quantitative details of the closing stock lying with electric supply area offices amounting to Rs. 19.53 Cr. have not been furnished to us.

6. Trade Receivables (Note – 8)

- The Company has not furnished the statement of reconciliation of difference of Rs. 133.96 Cr. in the closing balances of Sundry Debtors between Revenue Statement-1 (RS-1) and Financial Statement as on 31st March, 2020.
- The Company has also not furnished the statement of age wise breakup of dues from customers particularly in respect of long outstanding dues from Government, LT and HT consumers. Further there is no proper system to review for identifying doubtful dues, specifically arising out of disputes and long pending cases before various judicial forums. Currently company has adopted the policy for making the provision for Bad and doubtful dues @ 1% on closing value of debtors. In the absence of above we are not in position to quantify the amount of provision which is required for irrecoverable or doubtful dues and consequential impact thereof on the financial statement.
- We have not received the balance confirmation letters from HT and LT consumers. The total receivable amount net of accumulated provisions of Rs. 3158.40 Cr. (P.Y. - Rs. 3086.59 Cr.) of debtors including provisions for unbilled revenue stood at Rs. 4534.84 Cr (P.Y. – Rs. 3429.31 Cr.) In the absence of balance confirmation, so we are unable to comment on the truthfulness and fairness of such balances.

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- This provision has neither been written off nor written back by the Company. If the Company continues making provision in this way, it will lead to accumulation of the provision in the Balance Sheet and the violation of Ind AS-37 which provides for write off or write back of provisions when the provisions meet their purpose.
- Presentation of Trade Receivables is not as per requirement of Ind AS schedule III, as per requirement of schedule the trade receivables should be sub-classified as- a) Secured Considered good b) Unsecured considered good c) Doubtful.

7. Cash & Cash Equivalents and Bank Balances other than Cash & Cash Equivalent (Note – 9 & 10)

Bank Balances other than Cash and Cash Equivalents:

- Fixed Deposits and Flexi deposits which are made out of grants and loan fund received from donor/lender are not disclosed separately in Notes, a proper disclosure of the details should have been made in the notes on accounts.
- Out of total fixed deposit, Fixed Deposits of Rs. 9.29 Cr. are still in the name of JUVNL and Rs. 31.32 Cr. in the name of Jharkhand State Electricity Board. Further, fixed deposit of Rs. 15.33 Cr. of JBVNL could not be verified in the absence of availability of certificates of fixed deposits.
- The company has not made any disclosure as per requirement of Ind AS schedule III for:
  (i) earmarked balances with banks, if any
  (ii) Balances with banks to the extent held as the margin money or security against the borrowing, guarantee and other commitments.
- Balances with schedule banks in current accounts include un-reconciled items and there are unidentified credits in the bank and cheques deposited but not credited which are under reconciliation. The impact of same on the Revenue Account, Assets and Liabilities could not be determined. The following discrepancies have been observed:

Sl No	Circle/Area	Amount (in Rs)	Remarks
01.	ESC, Sahibgunj, Chas, Deoghar, Garwah & Daltangunj	62.31 Lacs	This amount has not been credited /debited by the bank but the same has been recorded in Company's Bank Book since long time.
02.	ESC Chaibasa, Chas, Deoghar & Daltangunj	22.37 Lacs	The amount has been credited by Bank but not recorded in Company's Bank Book.
03.	ESC Chas, Ranchi & Daltangunj	14.00 Lacs	These differences are due to un-reconciled bank balances.
04.	ESC Deoghar	1.66 Lacs	As the account was inoperative the same has been transferred by bank to Investor Education & Protection fund

- Cash and Cash Equivalent balances consists Cash in Transit of Rs. 5.43 Cr. (P.Y.- Rs. 9.07 Cr.) and Imprest Cash of Rs 7.76 Cr. (P.Y.- Rs. 9.05 Cr.) with no major movement, for which the detailed breakup and reconciliation was not produced before us for verification. In the absence of details, we cannot comment on the accuracy of cash and cash equivalents to such extent. Therefore, the impact of the same cannot be determined.

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- The State Government provides funds under various schemes in the form of loan and grant through PL Account with Government Treasury maintained at SBI Doranda, Ranchi. The Company has not provided the scheme wise closing balance of PL account as on 31st March 2020. This account remained un-reconciled and un-totaled as on 31st March 2020. Further, no balance confirmation from the treasury was provided by the company for same. In the absence of such Reconciliation and confirmation letter, we are not able to comment upon the correctness of the amount of Rs. 1569.45 Cr. (P.Y. - Rs. 2638.64 Cr.) as shown in the Financial Statements and impact of the same also could not be determined.
- The Company has shown the Cash credit liability amounting to Rs. 461.34 Cr. under the head cash and cash equivalent whereas as per requirement of Ind AS Schedule III same should be included as borrowings under financial liabilities. Therefore, the presentation of same is not line.

8. Other Current Assets (Note – 11)

- **Advance to Employees:** We have not been provided the employees wise list of staff advances. Staff Advances lying in the accounts under various heads like pay advance, Marriage Advance, Medical Advance etc. in various units totaling to Rs. 5.10 Cr. (P.Y. Rs 4.83 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 proper reconciliation and adjustment we could not determine the correctness of the figures shown under the head and its consequential effect in the financial statement.
- **Advance to O & M Suppliers / Works:** Based on our audit observation, we are of the opinion that party wise ledger is not being maintained by the Company in respect of Advances made to O & M Suppliers /works; the year ended balance is Rs. 17.28 Cr. (P.Y.- Rs. 26.53 Cr.). However, party wise ledger is being maintained by the company since last year but same is still not updated and correct. In the absence of ageing and party wise details of advance to suppliers we are also unable to comment whether it will be recovered within one year and classify as current assets or it will be treated as non-current assets.
  Balance confirmations of advances made to O & M suppliers have not been provided to us. Thus, we are not able comment on the accuracy of the advances reflecting in the books of accounts.
- **Taxes:** An amount of Rs. 15.87 Cr. was deposited as advance to income tax department and Rs 4.97 Cr. as deposited as advance to Commercial Taxes in the F.Y. – 2010-11. These advances are lying unadjusted more than 9 years and there was no development during the year. As per IND AS schedule III the excess taxes paid which is not recovered /realized within one year from the balance sheet date, the same should be presented under non – current assets. Therefore, presentations under other current assets are improper and due to these current assets are over stated by Rs 20.81 Cr.
- **Master Trust**: As per the information and explanation received, contribution made by employer and employee for such retiral benefit is invested through a Master Trust. The year-end balance of Master Trust is Rs 2224.43 Cr. (P.Y. – Rs. 1848.20 Cr.). We have not been provided that the employee wise details towards the contribution in master trust and balances are yet to be reconciled. Further balance confirmation from Master Trust has also not been provided to us. In the absence of confirmation, we could not quantify the impact of same in the financial statement.
- **Inter Company Transactions:** Inter Company transaction includes the transaction between JBVNL and JUVNL and PTPS the year-end balance of which is Rs 217.92 Cr.

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(P.Y. – Rs. 215.89 Cr.). The Company has provided the signed provisional balance confirmation of JUVNL as on 31-03-2020. We have sought to provide the details related to this reconciliation, but the same has not been provided to us and in the case of PTPS company has not provided the balance confirmation and reconciliations of balance as on 31-03-2020 to us for verification. So, we cannot comment upon the truthfulness and fairness of figures and its impact on financial statement.

Further, the presentation of the same is not in line with the IND AS Schedule III.

- **Inter Unit:** The Net Inter Unit Current Accounts amounting to Rs. 216.24 Cr. (P.Y. Rs. 660.91 Cr.) has not been reconciled. In the absence of such reconciliation statement, we are unable to comment upon the correctness of such inter-unit Current Accounts balance. Therefore, the effect of reconciliation, if any, on the financial statement is not determined. (Refer to Note 11 of Financial Statement)

- **Officer Welfare Fund:** We have sought for details and information for this account but the same has not been provided to us. The year-end balance of this account is Rs 2.15 Cr. (P.Y. – Rs. 2.15 Cr.). They have classified it under the 'other current assets and ledger is showing a debit balance. Therefore, in the absence of proper information and explanation we are unable to comment upon the correctness of figure and also unable to quantify the impact of the same on the financial statements.

9. Consumer Security Deposit (Note - 16)

We have not been provided the details of consumer wise security deposits and interest payable thereon. The year-end balance of the same is Rs. 1062.60 Cr. (P.Y. – Rs. 971.59 Cr.). Further Interest on consumer security deposit of Rs. 2.01 Cr. out of total interest of Rs 55.03 Cr. has been recognized on average basis on the total amount received during the year instead of actual date of receipts. During the year, the company has adjusted such interest in the bills of HT consumers only and no such adjustment has been made to the bills of LT consumers. Out of total balances of Rs 1062.60 Cr., Rs 8.63 Cr. on account of security deposit and Rs 5.49 Cr. on account of Interest payable are unexplained. Therefore, in the absence of proper information we are unable to comment on correctness of balances and impact of the same on the financial statement is also not quantified. Further, no explanation has been received about the security deposit of the consumers disconnected during the year that whether the security deposit has been refunded or not.

10. Trade Payables (Note – 19)

- In respect of the trade payables towards power purchase of Rs 8512.28 Cr. (P.Y. – Rs. 7432.34 Cr.) we have sought but received confirmation of Rs. 387.42 Cr. only. No balance confirmation or reconciliation was provided for the remaining amount of Rs 8124.86 Cr.

- We have received the reconciliation statement from KBUNL for the F.Y. 2019-20, but there is a difference in closing balances of Rs 19.64 Cr. between KBUNL and JBVNL reason of difference has not been furnished to us.

- Refer to note no – 30.10(b) regarding the dispute with DVC, company has performed the reconciliation till the financial year 2017-18 but final reconciliation is still under process. JJBVNL has recognized the DPS in F.Y. 2017-18 amounting to Rs. 352.82 Cr. towards DVC liabilities. DPS for the F.Y. 2018-19 & 2019-20 have not been accounted till date. The yearend balance of DVC is Rs. 3903.85 Cr. In the absence of joint reconciliation, we are unable to the quantify the impact of same in financial statement.

- During the current year, as explained to us, in case of following party's opening balance

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adjustments has been made for giving the effect of power purchase liabilities of the earlier years based on reconciliations. However, the proper documents/information related to such reconciliation for those incremental liabilities has not been furnished to us. Therefore, we are not able to comment on truthfulness and fairness of such balances.

Sl. No.	Name of Party	Amount (in Crore)
01.	PTPS	130.00
02.	EREB UI	3.59
03.	JUSNL	406.24
04.	JUUNL	581.22
05.	KBUNL	3.52
06.	NTPC	106.47
07.	NHPC	9.75
08.	PGCIL	16.36
09.	WBSEB	(2.25)
	Total	**1254.89**

11. Other Current Financial Liabilities (Note – 20)

- **Consumer Contribution, Electrification, and Service Connection:** The deposit received from consumers for creating infrastructure to provide the electric connection is credited to this account. The year-end balance of the same is Rs. 353.26 Cr. (P.Y. - Rs. 336.43 Cr.). Proper details of the utilization against receipts of specific consumers were not provided to us. In the absence of complete details its effect on financial statement could not be ascertained by us.

- **Advance for Deposit Work:** This head includes the amount for unfinished work which has been received under the deposit head and credited to Consumer, Electrification & Service Connection. The Company has provided the party wise details of Rs. 164.21 Cr. (P.Y. - Rs. 159.90 Cr.) but in the absence of proper information, we could not verify the correctness of the same. Thus, we are not able to comment upon the accuracy of the advances shown as on 31st March 2020.

- **Liabilities for Establishment:** Out of total liabilities for Establishment of Rs. 26.15 Cr. (P.Y. – Rs. 33.21 Cr.), Rs 1.50 Cr liabilities relates to earlier years which is still pending for reversal. The details of which was not readily available with the company, due to these liabilities are overstated and losses are overstated by Rs 1.50 Cr.

- **Keep Back Deposits:** We have not been provided party wise details with ageing of keep back deposit amounting to Rs. 881.81 Cr. (P.Y. – Rs. 1306.64 Cr.)

- **Others:** Details of Liabilities for Suppliers/Works (O & M) & liability for suppliers/works (capital) of Rs. 1273.24 Cr. are not furnished to us. Further Company has not provided the balance confirmation for the year-end balance of Rs. 3533.28 Cr. Hence, we are unable to comment on truth and fairness of such balances. As per terms of REC the Interest earned from investment made from the Grant fund received from REC is payable to them on demand. The liability so booked as on 31.03.2020 amounting to Rs. 44.14 Cr. (P.Y. – Rs. 45.06 Cr.) includes some interest part that is earned from Investment from REC loan fund which should be booked under CWIP instead and not as liability. In the absence of proper segregation of such investments, we are unable to quantify the amount.

12. Other Current Liabilities (Note – 21)

Tax Payable

(i) We are unable to comment upon the tax assessment of Income Tax, Sales Tax, service tax, GST and Electricity Duty because the Company has not provided the details and copies of the same.

(ii) In following cases company has failed to collect the GST.

Sl No	Head	Value of Taxable Supply	Amount of GST
01.	Supervision Charges	6.10 Lacs	1.11 Lacs
02.	BOQ Charges	0.94 Lacs	0.17 Lacs
03.	Misc. Income	0.94 Lacs	0.17 Lacs
04.	Registration Fees	4.55 Lacs	0.82 Lacs
05.	Fake Call	1.50 Lacs	0.27 Lac
	Total	**14.03 Lacs**	**2.54 Lacs**

(iii) Company has not collected and paid the liability under Reverse Charge Mechanism as per the requirement of section 9 (4) CGST Act, 2017 on the amount paid towards the Hired Vehicles charges. Further in few cases no GST has been collected and paid on services received from advocates

(iv) Most of circles and area offices of Company have not taken registration under The Jharkhand State Tax on Professions, Trades, Callings and Employment Act, 2011 for collection and deposition of professional tax.

(v) During the year company has the paid interest on security deposit amounting to Rs. 55.03 Cr. for HT, LT and other consumers but in the absence of customer wise liability of interest on security deposit, we are unable to verify that whether TDS under section 194A on which is required to be deducted on not.

(vi) The Company has not furnished the total value of exempted outward supply during the year in the respective table in their GST returns (GSTR 3B & GSTR 1).

(vii) The details and date of subsequent payment of the following liabilities as 31st March 2020 could not furnished to us:

Sl. No	Particulars	Amount (In Cr.)	Remarks
01.	Sales Tax/Professional Tax/Labour cess	Rs 18.38	Details and payments are not available.
02	Income Tax Deducted at source	Rs. 2.56	Amount deposited but reconciliation is under process
03.	Electricity Duties Recoveries	Rs 236.95	Company has paid only Rs. 93 Cr. during the year against the total liability of Rs 329.95 Cr.
04.	Royalty Payable	Rs 0.34	Details and payment details not available.

13. Provision for Employee Benefits (Note -22)

(i) The Company has deducted but not deposited the statutory dues such as PF, ESIC, and PLI & LIP etc. on regular basis. In some of the circles & areas the opening liabilities have 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.

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(ii) A liability as on 31st March 2020 under National Pension Scheme is Rs. 2.41 Cr. and contribution towards CPF is Rs 0.16 Cr. The company has not provided the bifurcation of employees who have opted for the NPS or CPF scheme. Therefore, the actual liability as on the reporting date is yet to be ascertained.

(iii) During the year company has made the provision of Leave Encashment, Gratuity & Pension liability on the basis of actuarial valuation done up to March 2018.

(iv) Liabilities of terminal/employee benefits except Leave Encashment, Gratuity and pension Liability, as on 31st March 2020 is not properly reconciled and updated therefore, we are unable to comment on the accuracy of liability of terminal benefits as shown in the books of accounts.

14. Revenue from Operation (Note – 23)

a) The Company is charging DPS on the receivables which are pending in the different level of Forums. Such recognition of DPS as income when the recovery is uncertain is in contravention with Ind AS-115. In the absence of proper details and information we are unable to quantify the amount of same and its consequential impact on financial statement.

b) During the F.Y. 2019-20 company has booked an amount of Rs. 81.13 Cr. as prior period adjustments and detailed working and calculations has not been provided to us. Further no proper disclosures have been made as per the requirement of Ind AS Schedule III in the financial statement.

15. Power Purchase& Transmission Charges (Note – 25)

a) The company has purchased power from JUUNL of Rs. 10.39 Cr. and paid for transmission charges to JUSNL of Rs. 206.28 Cr., related to which no invoices were presented to us during the audit.

b) The company has recognized the DPS against the delay payment of power purchase on cash basis which is in contravention of IND AS – 1 and accounting policy of the Company.

16. Non compliances of other Secretarial requirements:

a. **Disclosure by Director of his Interest in form MBP -1 as per requirement of Section 184(1) of Companies Act read with rule 9:** SriL. Khaingte (DIN – 05328316) was appointed as director on 22.10.2019 but he did not disclose his interest in first board meeting which was held on 24.10.2019.

b. **Non-Filing of Annual Accounts (AOC-4) and Annual Return (MGT-7) with ROC leads to violation of section 137 of Companies Act 2013:** As per section 137 of the Companies Act, 2013, the Company is required to file a copy of Financials statements (including consolidated financial statement) duly adopted at the annual general meeting of the company with the Registrar within 30 days of the date of annual general meeting. The Company has not filed the annual accounts and annual return with ROC due to non-adoption of books of accounts in AGM for F.Y. 2016-17, 2017-18 & 2018-19.

c. **Consolidation of accounts:** As per Section 129(3) of the Companies Act, 2013, a Company having subsidiary/Joint Venture(s) have to prepare consolidated financial statement of all the subsidiary/Joint Venture in the same form and manner as that of its own and to lay such consolidated financial statement before the Annual General Meeting of the company for adoption. JBVNL has one Joint Venture namely PUVNL but yet CBS has not been adopted in AGM for F.Y. 2016-17, 2017-18 & 2018-19 and related filing of AOC 4 (CBS) is also pending.

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d. **Appointment of Internal Auditor not as per requirement of section 138 of the companies Act, 2013:** On the basis of direction issued by board in F.Y. – 2017-18 vide item no – 33-05 for appointment of internal auditors for the F.Y. 2018-19 to 2020-21, during the F.Y. 2019-20 the company has appointed the internal auditor for F.Y. 2018-19 & 2019-20, but the company has not passed the necessary Board resolution for the appointment & fixing the remuneration of an internal auditor, hence necessary certified copy of board resolution approving the appointment of an internal auditor also has not been filed with registrar in form No MGT 14 which leads to violation of section 138 of the Companies Act.

e. **Status of Company Active Non - Compliant:** Every Company which is incorporated on or before the 31st December, 2017 is required to file the particulars of the company and its registered office, in e-Form ACTIVE (Active Company Tagging Identities and Verification) INC -22A. In case Company does not intimate they said particulars to the ROC then company shall be marked as Active-Non-Compliant on or after 26th April 2019 and shall be liable for action under sub section (9) of section 12 of the Act. Till the date of Audit, Company has not filed the E form INC 22A and status of the company is showing as ACTIVE- Non- Compliant in MCA records. Further Since company has not filed the INC 22A and annual accounts due to this Company is not able to file the E Forms DIR- 12, regarding the change of directorship, SH-07 related to change in authorized share capital and PAS -03 regarding the change in paid up share capital till the default continues.

f. **Non-Maintenance of MBP 4:** The company has not maintained register in form MBP – 4 for related party transaction as required under section 189 of Companies Act, 2013.

g. **Violation of section 180(1)(a) of the Companies Act, by borrowing more amount than approved by resolution at AGM:** 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.

   The Company had total borrowing of Rs. 10052.59 Cr. including an amount of Rs. 6136.37 Cr. received under UDAY Scheme, at the beginning of F.Y. 2019-20, which was more than the limit as prescribed in the special resolution in terms of section 180. 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.6,136.37 cr. will be converted into grant and Equity under UDAY Scheme for the financial turnaround of the Company. Further, it has borrowed a sum of Rs. 902.97 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 under section 180(1)(a) of the Act.

Annexure B – referred in our report under "Emphasis of Matter paragraph

1. Attention invited to Note 13 in the Financial Statements which indicates that the Company has accumulated losses Rs. 6258. 05 Cr. (P.Y. Rs. 5126.51 Cr.) and its Net worth has become negative. The Company has incurred a net loss during the current year of Rs 1131.54 Cr. (P.Y. Rs 751.10 Cr.) and the Company's current liabilities exceeded its current assets as at the balance sheet date by Rs. 6451.51 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 Ind AS Financial Statements of the Company for this F.Y. have been prepared on a going concern basis.

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2. The Company has booked administrative expenses of Rs. 17.10 Cr. and Income of Rs. 4.87 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 produced before us.
3. During the year company has not provided the copy of Form 26AS for the F.Y. 2019-20 therefore we are unable to reconcile the figures between books and Form 26AS.
4. Out of total government loan amounting to Rs. 9726.85 Cr. (P.Y. – Rs. 9420.53 Cr.) includes the deemed loan of Rs. 173.99 Cr. from statement government related to Investment made in PVUNL. We have sought to provide the confirmation and relevant papers regarding this but same has not been provided to us. Therefore, the closing balance of deemed loan is subject to confirmation from state government.

Annexure C – referred in our report under "Other Matters paragraph"

1. We have not received Board Reports for the F.Y. 2016-17, 2017-18, 2018-19 and the initial report of 2019-20. 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.
2. 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. Some inconsistency has been removed and accounting policies have been redrafted to match with the accounting policies followed.
3. The Annual Accounts for the F.Y. 2013-14 to 2015-16 have been passed in the Annual General Meeting (AGM) held on 24th September, 2019 as per the minutes of the AGM. The 4thAGM for the F.Y. 2016-17, which was held on 19th September, 2017, is still in an adjourned state. The 5th& 6thAGM for F.Y. - 2017-18 and F.Y. - 2018-19 had been called on 24th September 2018 and 24th September 2019 respectively which are also in adjourned state on the date of reporting. The 7thAGM for the current financial year was called on 23rd September 2020 which is also at the adjourned state. 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.
4. 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 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.
5. 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 requirements to contribute towards CSR.
6. Technical Audit of operation is desirable to reduce losses and for improvement of efficiencies.
7. Dues under 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 F.Y. 2019-20, wherever it was applicable.

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8. Company has recorded miscellaneous expenses of Rs. 0.57 Cr. (P.Y. – Rs. 0.62 Cr.) Detailed breakups of these expenses were not provided to us. Further, the Company has not followed the requirement of disclosure as per IND AS schedule III of Companies Act, 2013.
9. The information provided in the Additional Note -30 related to additional notes to the financial statement, following is not properly disclosed:

   a. The company has not disclosed the transaction with JUVNL under the disclosure of related party transaction.
   b. The Company has disclosed the total consolidated amount paid to KMP of Rs. 40.25 Lacs during the F.Y. - 2019-20 while as per the requirements of IND AS -24. An entity shall disclose the key managerial compensation in total and each of the following categories.
      1. Short Term Employee Benefit
      2. Post-Employment benefits
      3. Other Long-term benefits
      4. Termination Benefits and
      5. Share based Payment (in any)

10. During the year company has made the prior period adjustments through the retained earnings but details related to those adjustments have not been furnished to us. Therefore, we are unable to quantify the impact of same in the financial statement. Further as per Paragraph 49 of Ind AS 8 the proper disclosure is required for adjustment and the nature of prior period error but the Company has not disclosed the same properly which leads to violation of Ind AS 8.
11. Contingent liabilities of Rs. 369.05 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.
12. Non-Filing of Tax Audit Report which is required to be furnished within specified date as per requirement of section 44AB of Income Tax Act, 1961.
13. Share application money paid to PVUNL has been shown under the head Noncurrent Investment (Note – 4) in the financial statement whereas as per requirement of IND AS schedule III same should be reported under head Noncurrent other financial assets.

"Annexure D" to the Independent Auditor's Report for the Financial Year 2019-20

Based on the Audit Procedures performed for the purpose of reporting a true and fair view on the Ind AS Financial Statements of the Company and taking into consideration the information and explanations given to us, the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

I. In our opinion, according to the information and explanations given to us,

a) The Company has not maintained the proper records showing full particulars including quantitative details, identification, location field and situation of Fixed Assets. The Company does not maintain the fixed asset register.

b) The Fixed Assets has not been physically verified by the management so we are unable to comment about material discrepancy and its treatment in Books of Accounts.

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c) The title deeds of the immovable property have not been provided to us so we are unable to comment whether it is in the name of the Company or not.

II. On the basis of written representation received from the management, due to COVID 19 outbreak in the month of March 2020 and restrictions imposed by various authorities, there was a delay in conducting physical verification of inventories in respect of all locations and as per the reconciliation with general ledger difference amounting to Rs. 0.86 Cr. has been booked under the head stock difference pending for verification. Further no details have been provided to us related to stock lying at area offices amounting to Rs. 19.53 Cr. In the absence of proper records, we are unable to comment upon the correctness and truthfulness of the same.

III. As per information and explanation provided to us, the Company has not granted any loan, secured or unsecured to companies, firm, LLPs and other parties covered in the register maintained under Section 189 of the Companies Act, 2013, consequently paragraph (iii)(a), (b) & (c) of Order is not applicable.

IV. According to the information and explanations given to us, the Company has not granted any loan, securities and guarantees in favor of its directors or to any other person in whom the directors are interested and had not made any investment for which the compliance of provision of section185 and 186 of Companies Act, 2013 is to be done. Hence, this clause of the order is not applicable.

V. According to the information and explanations given to us, the Company has not accepted any deposits from the public and does not have any unclaimed deposit as on 31.03.2020 therefore the directives issued by the Reserve bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.

VI. We have broadly reviewed that the cost records maintained by the company pursuant to the provision of sub-section (1) of the section 148 of the Companies Act, 2013 and are of the opinion that prima facie the prescribed cost records have been maintained. We have however not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

VII. (a) According to the information and explanation given to us and based on the records of the Company examined by us, the Company is not regular in depositing undisputed statutory dues, including Income Tax, GST, Sales Tax, Service tax, Duty of Custom, Duty of Excise, VAT, cess and other statutory dues as applicable with the appropriate authorities in India. In certain cases, mentioned below, there has been delay in deposit of PF, ESI, TDS and GST. The extent of outstanding of such statutory dues for a period of more than six months cannot be determined in the absence of proper record and information. The arrear of above-mentioned statutory dues as on the last day of Financial Year concerned have been indicated as below: -

Particulars	**Amount Outstanding (Rs. In Cr.)**
Employee Provident Fund	4.68
Employee State Insurance	1.16
TDS	2.56
Sales Tax	18.38
GST	0.10
NPS	2.41
Electricity Duty	236.95

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(b) In our opinion, the amount payable in respect of Provident Fund, ESIC, Income Tax, Sales Tax, GST, Service Tax, Excise Duty, Custom Duty and Value Added Tax which has not been deposited on account of any dispute is not determinable in the absence of any information.

VIII. The Company has defaulted in repayment of loan to State Government. It already had opening loan outstanding amounting to Rs. 8956.39 Cr. (which includes Rs.6136.37 Cr. received under UDAY Scheme) borrowed from State Government. During the Financial Year, the company has borrowed an added deemed loan from State Government amounting to Rs. 92.76 Cr. Out of total loan Rs. 500.07 Cr. (P.Y. – Rs. 427.50 Cr.) and interest of Rs. 945.64 Cr. (P.Y. – Rs. 545.61 Cr.) have become due for payment as on 31st March 2020. Period of the default cannot be opined as the loan amount is in default since the inception of the Company.

IX. Based upon the Audit Procedure performed, information and explanation given to us, the Company has not raised any money from initial public offer or further public offer and term loans, consequently paragraph (ix) of Order is not applicable.

X. Based upon the audit procedures performed and written representation received from management, we report that, no fraud on the Company by its officers/ employees has been noticed or reported during the course of audit for the year ended 31stMarch, 2020. *But as there is weakness in Internal Control, the Company is significantly susceptible to such fraud.*

XI. The provisions of section 197 are not applicable upon a Government Company vide notification number GSR 463(E), dated 5-6-2015.

XII. As the Company is not a Nidhi Company, paragraph (xii) of the order is not applicable.

XIII. As the Company has not provided appropriate information and records relating to the transaction with respect to power purchase and transmission charges with its related parties Jharkhand Urja Utpadan Nigam Limited (JUUNL), Jharkhand Urja Sancharan Nigam Limited (JUSNL) respectively. In case of other administrative expenses with its related party namely Jharkhand Urja Vikas Nigam Limited (JUVNL), we were provided with Debit/Credit Note only and no additional supporting documents were provided. In the absence of information and documents as stated above, 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 IndAS24, Related party disclosure specified under section 133 of the Act read with rule of The Companies (Indian Accounting Standards) Rules, 2015.

XIV. Based upon the audit procedure performed, the information and explanation provided by the Company, it has made not Preferential Allotment. Therefore, the provisions of this clause of the order are not applicable to the Company and hence we have no comment there upon.

XV. According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him.

XVI. Based upon the audit procedures performed and information and explanations given by the management, Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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Adverse Opinion

In our opinion and to the best of our information and according to the explanations given to us, on the basis of adverse opinion explained herein before, we are not able to state that the accompanying standalone Ind AS financial statements give the information required by the Act in the manner so required and that, they give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affair of the Company, as at 31 March, 2020, of its Loss and other comprehensive income, changes in equity and its cash flows for the year then ended.

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

Prakash Sachin & Co. Jharkhand Chartered Accountants

Ratandeep Sinha

CA Ratandeep Sinha
Partner
M. No. - 308683
Date: 30.03.2021
Place: Ranchi
UDIN: 21308683AAAACR2623

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"Annexure E" 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 for the title documents but have not been provided to us. Hence, we are not able to comment. Further, the Company does not maintain register of Fixed Assets. Therefore, in the absence of required document and records/register, 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. In the absence of details regarding owned and leased land, we are unable to comment on whether the company has received any land as grant for creations of assets or not.

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, there are no projects that have been taken up under the public private partnership as on 31st March, 2020.

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 meet the condition of the agreement.

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The nature of the project is such that it requires specific technical knowledge to access the 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. (Refer Note no. 5 of Annexure-A)

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

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/reconciliation of Trade payable for some vendors as reported in point 11 of Annexure A. In case of Trade Receivables, we have not received the confirmation from LT and HT consumers. We have obtained the confirmation certificate in case of Term deposit, Bank account and Cash except for Bank Balances and Fixed deposits as reported in point 7 of Annexure A.

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

Prakash Sachin & Co. Jharkhand Chartered Accountants

CA Ratandeep Sinha
Partner
M. No. - 308683
Date: 30.03.2021
Place: Ranchi
UDIN: 21308683AAAACR2623

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"Annexure F"–to the Auditors' Report on the Internal Financial Controls under Clause (I) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Jharkhand Bijli Vitran Nigam Limited ("the Company") as of 31st March, 2020 in conjunction with our audit of the standalone Ind AS Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls 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 ('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 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 the standalone Ind AS Financial Statements, whether due to fraud or error.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting

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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

Material misstatements due to error or fraud may occur and not be detected because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls. 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

According to the information and explanation given to us and based on our audit, the following material weaknesses (listed below) have been identified in the operating effectiveness of the Company's internal control systems:

1. Company has reported 33.48% Average Transmission and Commercial loss in the current financial year, while it has assured Jharkhand State Regulatory Commission to keep this loss under 15.00% for the year F.Y. 2019-20.
2. In our opinion, the Company does not have proper internal control of capitalization of assets and needs further improvement for ensuring timely capitalization of Fixed Assets through timely issuance of completion certificate.
3. In course of review of effectiveness of Internal Financial Controls in JBVNL it has been noticed that restrictions have been imposed in functioning of CFO as required under provisions of Companies Act and guidance notes issued by ICAI and CFO has been repeatedly appraising this fact to the notice of management. It has been noticed that CFO was not allowed to be involved in major financial decisions relating to Capital Expenditures, Power purchase expenditures, and key financial decisions and cash flow decisions. This has resulted in ineffective Internal Financial Controls. This issue was raised by AG (Audit) during the F.Y. 2018-19 and we have also reported in Statutory Audit report of F.Y. 2018-19 but no corrective action taken by either management or concerned officials. Under such situation any noncompliance of statutory provisions will be responsibilities of management and concerned officials in this regard.

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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) Gross delay in recording of the receipt and issue of inventories.
   b) No proper accounting for scraps and rejects existing in the Company and further no provisioning is made on non-moving/discarded items.
   c) No proper storage of material, material stored in the open area.
7. 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 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 31st March 2020 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.

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

Prakash Sachin & Co. Jharkhand Chartered Accountants

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