

JHARKHAND BIJLI VITRAN NIGAM LIMITED

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

CONSOLIDATED AUDIT REPORT FY- 2018-19

PRAKASH SACHIN & CO **CHARTERED ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Jharkhand Bijli Vitran Nigam Limited
Report on the Audit of Consolidated Financial Statements

Adverse Opinion

We have audited the accompanying Consolidated financial Statement of **Jharkhand Bijli Vitran Nigam Limited** ("the Company"), and its joint venture, which comprise the Consolidated Balance Sheet as at 31st March 2019 and Consolidated statement of Profit & Loss Account (including the Statement of Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year ended and notes to the Consolidated Financial statements including a summary of significant accounting policies and other explanatory information. (Hereinafter referred to as "the Consolidated Financial Statements")

In our opinion and to the best of our information and according to explanations given to us, except for the matters described in Annexure –"A" Basis of Adverse opinion paragraph, and based on the consideration of report of other auditor on separate financial statements and on the other financial information of joint venture referred to in paragraph 1 of the "Other Matters" Paragraph below, the aforesaid Consolidated 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 consolidated state of affairs (financial position) of the Company and its Joint venture as at 31st March 2019 and their consolidated net Profit/Loss, (financial performance including comprehensive income) their consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Basis of Adverse Opinion

We conducted our audit of the Consolidated 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 Consolidated Financial Statements' section of our report. We are independent of the Company and its joint venture 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 there under, 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 and the audit evidence obtained by the other auditor in terms of their report referred to in paragraph 1 of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our adverse opinion on the consolidated financial statements.

We draw attention to the matters described in **Annexure 'A'** as pointed out in our Independent Audit Report of Standalone Financial Statement of JBVNL dated 31.10.2019 for the year ended 31st March, 2019 the effect of which, individually or in aggregate, are



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material and pervasive to the Consolidated Financial Statement and matters where we are unable to obtain sufficient and appropriate audit evidence. The effects of matters described in said Annexure 'A' which could be reasonably determined quantified are given therein. Our opinion is adverse in respect of these matters.

Emphasis of Matters

Considering the requirement of Standard on Auditing (SA 600) on using the work of another Auditor's including materiality, we draw the attention towards the points of **Annexure 'B'** as pointed out in our Independent Audit Report of Standalone Financial Statement of JBVNL dated 31.10.2019 for the year ended 31st March, 2019, of our report regarding matters referred in Consolidated Financial Statements, which requires user's attention.

Key Audit 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 report.

Other Matters

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

Information Other than the Consolidated 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 the Annual Report related to the Consolidated Financial Statements but does not include the Consolidated 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 Consolidated 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 Consolidated Financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated 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 are required to communicate the matter to those charged with governance and take appropriate actions, if required.

Responsibilities of Management and those charged with Governance for the Consolidated 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 Consolidated



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Financial statements that give a true and fair view of the Consolidated financial position, Consolidated financial performance including other Consolidated comprehensive income, Consolidated changes in equity and Consolidated cash flows of the Company and its Joint Venture 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.

The respective Board of Directors of the Company and its joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and its joint venture and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Company and its Joint Ventures, as aforesaid.

In preparing the Consolidated financial statements, the respective Board of Directors of the Company and its Joint Venture are responsible for assessing the ability of the Company and its Joint Venture 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 and its Joint Venture or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the Company and its Joint venture are responsible for overseeing financial reporting process of the Company and of its Joint Venture.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Consolidated 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 Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures



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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 and its Joint Venture incorporated in India 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 ability of the Company and its Joint Venture 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 Consolidated 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 and its Joint Venture to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its Joint Ventures to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the financial Statements of such entity included in the Consolidated Financial Statements of which we are the independent auditors, For the other entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion
- Materiality is the magnitude of misstatements in the Consolidated Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably -knowledgeable user of the Consolidated 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 Consolidated Financial Statements.



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We communicate with those charged with governance of the Company and such other entities included in the Consolidated Financial Statements of which we are the independent auditors 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.

Report on other Legal and Regulatory Requirements

1. 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 D" 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, based on our audit and on the consideration of the report of the other auditors on separate financial statement and the other financial information of the Joint Ventures as noted in the "Other Matter" paragraph, we report, to the extent applicable 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 of the aforesaid Consolidated Financial Statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial statement have not been kept by the Company so far as appears from our examination of those books and report of the other auditor. 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 Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including other comprehensive income, the Consolidated Cash Flow Statement and the Consolidated Changes in Equity dealt with by this Report are in agreement with the books of accounts maintained for the purpose of preparation of the Consolidated Financial Statements.
- d) In our opinion, and in terms of matters described in "Basis of Adverse Opinion paragraph", the accompanying Consolidated Financial Statements do not fully 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) Being a government Company, pursuant to the Notification No. GSR 463(E) dated 5th June 2015 issued by Ministry of Corporate Affairs, Government of India; Provisions of sub section (2) of section 164 of Act are not applicable to the Company. Further on the basis of the reports of the auditor of joint venture, incorporated in India, none of the directors of the joint venture incorporated in India is disqualified as on 31st March 2019 from being appointed as a director in terms of section 164(2) of the Act, whenever applicable.

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- f) With respect to the adequacy of the Internal Financial Controls with reference to financial statements of the Company and its joint venture incorporated in India and the operating effectiveness of such controls, refer to our separate report in "Annexure-E" of this report.
- g) 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, in our opinion and to the best of our information and according to explanations given to us:
- (i) The Consolidated financial statement 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 and also about the impact of same in the Consolidated Financial Statement.
- (ii) Provision has been made in the consolidated financial statement as required under the applicable law or accounting standards for material foreseeable loss but we are unable to comment on the adequacy of the provision in the absence of availability of proper information. (Refer Para 6 of the Basis of Adverse opinion)
- (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company and its Joint Venture, incorporated in India.

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

- 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 31.03.2019 stood at Rs. 7873.19 Cr. (P.Y. 3798.40 Cr.)
- Land & Land Rights of Rs. 1.54 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



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Ind AS-17 which has not been done by the Company in the absence of segregation.

- The Fixed Assets held by the Company has not been impaired on the reporting date as required under Ind AS-36.
- The company has a policy to capitalize the expenses incurred under Annual Development Program (ADP) and Deposit 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 :

SL No	Assets Class	Head	Amount (In Crore)
01.	Line & Cable Network	Deposit (Head)	76.57
02.	Plant & Machinery	Deposit (Head)	11.98
03.	Line & Cable Network	ADP (Head)	197.92
04.	Plant & Machinery	ADP (Head)	43.20
05.	Other Civil Works	ADP (Head)	16.63
06.	Building	ADP (Head)	0.71
	Total		347.01

Further, out of capitalization of balance amount of Rs 4227.56 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 12 th Plan, AGJY	37.78

- 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, company has not segregated the interest expenses for completed assets to be charged to Profit & Loss Account and the same is still charged to CWIP resulting in its overstatement. Such action of the company is in contravention of both its accounting policy as well as 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 and Note 31(10) of notes to accounts)
- The company has capitalized assets under ADP head since the F.Y. 2014-15 till 2018-19. However, borrowing cost has not been capitalized in the earlier years. The company capitalized Rs 54.92 Cr in the F.Y. 2018-19 which is not sufficient and is undercapitalized. This has resulted in understatement of the value of Fixed Asset. Total balance of interest expense under in CWIP under ADP head was Rs 352.52 Cr as on 31st March, 2019. In the absence of complete details/fixed asset register, we are unable to quantify the amount of such capitalization.



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(ii) CWIP

- Out of total capital work in progress excluding interest & Finance charges as on 31.03.2019 amounting to Rs5117.39 Cr. (P.Y.-2556.16 Cr) we have not been provided the scheme wise bifurcation of CWIP of Rs 1176.38 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 towards the capital project work is not done in the absence of proper information.
- Erection expenditure incurred is not recognized fully on accrual basis.
- We have not been provided with material receipt voucher for materials which have been debited in CWIP under RAPDRP (Part B) scheme during the F.Y. 2018-19 of Rs. 3.43 Cr. Hence, we are unable to comment upon the correctness of the same.

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

- **Capital Advances:** During the audit we observed that party wise ledger is not being maintained by the Company in respect of Capital Advances (mobilization advances) as on 31stMarch, 2019 the closing balance was Rs. 502.12 Crore. (P.Y. Rs 531.04 Crore). Such advances are made to supplier for carrying out turnkey projects under various schemes. 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 this Non-Current assets are overstated by the same.

Interest received on such mobilization advances are recognized on cash basis that 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 Ind AS financial statements.

- **Others:** Complete details /information of 'others receivable' of Rs 2.39 Cr. (PY- 0.46 Cr.) is not readily available with the company. It includes un-reconciled amount which is identified from 26AS of Rs 1.95 Crore, payment towards owing for License of Rs 0.47 Crore and 0.38 Crore old claim which is brought forward since date of inception, which is remained unascertained till date. Hence we cannot comment upon truthiness & fairness of the balances and impact of the same also not possible to quantify.

5. Inventories and stores (Note – 7)

- The Company has conducted the physical verification of Inventories as on 31.03.2019 in respect of all locations in which inventories are being maintained but physical verification report and its reconciliation with the books of accounts has not been furnished to us for verification. Further the quantitative details of closing stocks



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with value as on 31.03.2019 has also not been provided to us for verification. The year-end balance of inventories is Rs292.05 Cr. (P.Y. -1727.62 Cr.). Therefore, we are unable to comment whether the discrepancies which have been noticed during the physical verification of inventories has been properly dealt with in books of accounts or not and its impact in the Ind AS Financial Statements.

- As per the policy of the management, Company has valued the inventories at cost, which is in contravention with the 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 financial statements.
- The stock register which is being maintained by Company at circle level is not properly maintained.
- 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.

6. Trade Receivables (Note – 8)

- The Company has not furnished the statement of reconciliation of difference of Rs143.74 Cr in the closing balances of Sundry Debtors between Revenue Statement-1 (RS-1) and Financial Statement as on 31st March, 2019.
- 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.
- The company had sent the balance confirmation letters to all of its HT consumers against which the confirmation was received for Rs 54.86 Cr. No balance confirmations were obtained from LT consumers. The total receivable of company as on 31st March, 2019 was Rs 3515.29 Cr (P.Y.-2865.07 Cr.)
- 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.



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- 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. 29.54 Cr. are still in the name of JUVNL and Rs. 100.97 Cr. in the name of Jharkhand State Electricity Board. Further, fixed deposit of Rs. 0.12 Crore 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 the above on the Revenue Account, Assets and Liabilities could not be determined. The following discrepancies have been observed :

Sl No	Circle/Area	Bank Name & A/c No	Amount (in Rs)	Remarks
01.	ESC, Sahibgunj	SBI A/c No – 11466048179	Rs 46.44 Lacs	No proper explanation has been received for this amount shown in BRS as a receipt but not accounted in cash book for long.
			Rs0.12 lacs	3 cheques amounting to Rs 11875 has been deposited in bank in 2017 but still not credited in Bank.
		SBI A/c No – 11466048168	Rs0.13 lacs	Opening balance un-reconciled.
02.	ESC Chas	Allahabad Bank A/c No	Rs 346 lacs	The Bank Reconciliation has not been provided to us.
		Canara Bank Trustee A/c A/c No	Rs 23.49 Lacs	Bank Reconciliation has not been provided

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	ICICI Bank	Rs 97.35 Lacs	Bank Reconciliation has not been provided
	Allahabad Bank	Rs 2.39 Lacs	There is difference in Opening Balances.
	Allahabad Bank	Rs 18.72 Lacs	The amount has been received in FY – 2017-18 but still it has not been credited in Cash Book of Company.

- Cash and Cash Equivalent balances consists Cash in Transit of Rs 9.07 Cr. (PY- Rs. 132.29 Cr.) and Imprest Cash of Rs 9.05 Cr. (PY- 9.67 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 this could not be determined.
- 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 2019. This account remained un-reconciled and un-totaled as on 31st March 2019. 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. 2638.64 Cr. (P.Y. Rs. 2503.29 Cr.) as shown in the Financial Statements and impact of the same also could not be determined.

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.5.22 Cr. (PY Rs 5.59 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. 26.53 Cr. (PY- Rs. 25.65 Cr.). However, during the year 2018-19 company has started to maintain the party wise ledger of supplier but same is 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



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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 Crore was deposited as advance to income tax department and Rs 4.97 Crore as deposited as advance to Commercial Taxes in the FY – 2010-11. 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, presentation under other current assets is improper and due to this current assets are over stated by Rs 20.81 Crore.
- **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 1864.26 Cr. (P.Y.-Nil).We have not been provided with any balance confirmation from Master Trust. 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, PTPS and JUUNL, the yearend balance of which is Rs 151.13 Cr. (PY- 739.41 Cr.). The company did not provide any confirmation or reconciliations against the same to us for verification. In the absence of the same, we cannot comment upon the correctness of the 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 46.95 Cr. (P.Y. Rs. 136.27 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 yearend balance of this account is Rs 2.15 Cr. (PY- 2.45 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 yearend balance of the same is Rs 972.73 Cr (PY- 846.41 Crore). Interest on consumer security deposit of Rs2.70Cr out of total interest of Rs 51.99 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 971.59 Crore, Rs 8.63 Crore on account of security deposit and Rs 0.74 Crore 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.



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10. Other Non-Current Liabilities (Note – 18)

- In case of following balances, Company has provided the party wise details but in the absence of proper information, we could not verify the same. Hence, we are unable to comment upon the truth and fairness of the closing balances and also unable to quantify the impact of the said transaction on the financial statement.

SL No	Particulars	Amount in Rs. Cr.
01.	Keep Back Deposit	1306.84
02.	Penalty Keep Back	21.76
03.	Retention money for Supplier/Contractors	300.58
04.	Penalty For Contractors	1.19
05.	Earnest Money Deposit	14.21

11. Trade Payables (Note – 19)

- Balance Confirmation/Reconciliation of the following parties shown under the head "Trade Payables" were not furnished to us :

Sl. No	Particulars	Amount (Rs in Cr)	Remarks
01.	Liabilities for Purchase of Power – Mittal Power	0.26	The balance is standing still from the last year and no balance confirmation has been provided to us.
02.	Liabilities for Purchase of Power – APNRL	217.91	We have examined the invoices received during the year but Balance confirmation has not been provided to us as on 31 st March 2019.
03.	Liabilities for Purchase of Power – DVC	3431.36	
04.	Liabilities for Purchase of Power – KIJALK	3.95	
05.	Liabilities for Purchase of Power – PGICL	(51.15)	
06.	Liabilities for Purchase of Power – TVNL	2812.55	
07.	Liabilities for Purchase of Power – WBSEB	2.25	The balance is standing still from the last year and no balance confirmation has been provided to us.
08.	Liabilities for Purchase of Power – JUSNL	116.65	We have not been provided with the invoices raised by JUSNL. Also, no balance confirmation was received as on 31 st March 2019.
09.	Liabilities for Purchase of Power – PVUNL	82.54	No balance confirmation was received as on 31 st March 2019.

12. 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



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is credited to this account. The yearend balance of the same is Rs 336.43 Crore (PY – Rs 386.43 Crore). 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:** The Company has provided the party wise details of Rs 159.90 Cr but in the absence of proper information, we could not verify the same. Thus, we are not able to comment upon the accuracy of the advances shown as on 31st March 2019.
- **Bank Overdraft:**
During the audit following discrepancies have been observed with respect to Bank Overdraft facilities:

SI No	Name of Bank	Limit Sanctioned in Rs Cr	Remarks
01.	Allahabad Bank A/c No – 0926	95.00	The details, terms and conditions including the sanctioned letter of limit have not been provided to us. During the verification of it from the ROC, we found that charge creation for same has not been done. Therefore, we are unable to quantify the impact of same on financial statement.
02.	Punjab National Bank A/c No -17377	41.40	
03.	Loan Against Fixed Deposit- Allahabad Bank	15.00	

- The company has not made any disclosure as to creation of charge, terms of repayments and securities offered as required under Ind AS Schedule III of the Companies Act, 2013.
- Overdraft facility from Bank of India (A/c No – 25) has been sanctioned for Rs 450 Crore in F.Y. – 2017-18 but disbursement was limited to Rs 200 Cr therefore charge has been created (Charge ID No- 100200034) only for Rs 200 Crore vide SRN – H06913834 Dated 28.02.2018. Now in FY – 2018-19 banks has disbursed the remaining Rs 250 Crore but accordingly modification of charge has not been done.
- **Liabilities for Establishment**
Out of total liabilities for Establishment of Rs 29.77 Crore (PY- 28.82 Crore), Rs 0.76 Crore liabilities relates to earlier years which is still pending for reversal. The details of which was not readily available with the company, due to this liabilities are overstated and profit are under stated by Rs 0.76 Crore.
- **Others**
Details of Liabilities for Suppliers/Works (O & M) & liability for suppliers/works (capital) of Rs 1291.18 Crore are not furnished to us. Further Company has not provided the balance confirmation for the year-end balance of Rs 3581.52 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 31.03.2019 amounting to Rs 44.79 Crore (P.Y. – 39.71 Cr.) includes some interest part that is earned from Investment from REC loan fund which should be booked under CWIP instead and not liability. In the absence of proper segregation of such investments, we are unable to quantify the amount.



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13. Other Current Liabilities (Note – 21)

• Tax Payable

- (i) We are unable to comment upon the tax assessment of Income Tax, Sales Tax, service Tax and Electricity Duty because the Company has not provided the details and copies of the same. However during the verification of 26AS we have found that intimation under section 143(1) of the Income Tax Act related to AY – 2016-17 has been issued by Income Tax Department and an amount of refund of Rs 1,27,550 has been credited to bank of JBVNL and they have wrongly credited as income under the head Misc Income. The effect of intimation has not been taken in accounts.
- (ii) The details and date of subsequent payment of the following liabilities as 31st March 2019 could not furnished to us:

Sl No	Particulars	Amount (In Crore)	Remarks
01.	Other Tax Payable	Rs 0.15	Details and payments are not available.
02.	Sales Tax/Professional Tax/Labour Cess	Rs 17.87	Details and payments are not available.
03	Income Tax at Deducted source	Rs. 11.13	Amount deposited but reconciliation is under process
04.	Electricity Duties Recoveries	Rs 160.40	The company has not filed the return of Electricity duty for the FY – 2018-19 and Company has paid only Rs. 72 Crore during the year against the total liability of Rs 232.40 Crore.
05.	Royalty Payable	Rs 0.24	Details and payment details not available.

- (iii) **TDS not deducted:** During the F.Y. -2018-19, TDS of Rs. 0.08 Crore (approx) was not deducted on the transactions amounting to Rs. 3.80 Crore. Same has also been reported in Tax Audit Report of JBVNL for FY – 2018-19.
- (iv) In all the circles and areas of the Company, Company has not booked and paid the liability of Reverse Charge Mechanism under the GST Act on the amount paid to advocates for their legal charges.



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14. Provision for Employee Benefits (Note -22)

- (v) 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.
- (i) A liability as on 31st March 2019 under National Pension Scheme is Rs 3.07 Crore and Contribution towards CPF is Rs 0.14 Crore. 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.
- (ii) 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.
- (iii) Liabilities of terminal/employee benefits except Leave Encashment, Gratuity and pension Liability, as on 31st March 2019 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.

15. 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. Thus, we are unable to quantify the disputed DPS.

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

- b) During the year the company has purchased total units 12,860.36 MU of power amounting to Rs. 5615.09 Cr (P.Y 5937.42 Cr) which is less by Rs. 322.33 Cores as compared to the previous year due to the non-recognition of DPS in the books of accounts of DVC and TVNL. As the reconciliations with power purchase vendors are pending, we are unable to quantify the value of DPS.
- c) Company has adjusted the amount of rebate of Rs. 43.72 Crore against the cost of power purchase which is required to be disclosed as income that is in contravention of Ind AS -1. Accordingly, power purchase cost is understated by such amount.
- d) The company has purchased power from JUUNL of Rs. 24.30 Crore and paid for transmission charges to JUSNL of Rs. 203.34 Crore, related to which no invoices were presented to us during the audit. Further, it is to be noted that both JUUNL and JUSNL are related party of JBVNL.

17. 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** :Sri Rahul Purwarwas appointed as director in three companies during the financial year 2018-19 but he did not disclose his interest in board meeting which was held immediately after such change.



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- 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 FY 2016-17 and 2017-18.
- 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 prepared and adopted in AGM for FY 2016-17 and 2017-18 and related filing of AOC 4 (CBS) is also pending.
- d. Appointment of Internal Auditor as per 138 of the companies Act, 2013:**Till the date of the audit Company has failed to appoint the internal auditor for the financial year 2018-19 which is required to be appointed as per section 138 of the Companies act 2013.
- e. Non-Filing of INC 22:**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 - 22. In case Company does not intimate the 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 22 and status of the company is showing as ACTIVE- Non- Compliant in MCA records.
- f. Company is not able to file the E – forms DIR 12, SH-07, PAS -03 & INC -22:**Since company has not filed the INC 22 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.
- 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. 8558.25 Cr. including an amount of Rs. 6136.37 Crore received under UDAY Scheme, at the beginning of Financial Year 2018-19, 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



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the company the amount of Rs.6,136.37 crore 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. 1519.74Crore 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. 5272.13Crore. (P.Y. Rs. 4521.03 Crore) and its Net worth has become negative. The Company has incurred a net loss during the current year ofRs751.09 Crore (P.Y. Rs212.16 Crore.) and the Company’s current liabilities exceeded its current assets as at the balance sheet date by Rs4780.71 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, theInd AS Financial Statements of the Company for this Financial Year have been prepared on a going concern basis.
2. The following items continued to appear in Financial Statement of the Company with no explanation given for its static nature, which needs to be reviewed to establish their true position.

SI No	Particulars	Amount (Rsin Cr)
01.	Assets Taken over from Pending Valuation	2.08
02.	Cash found in excess of verification	0.0004
03.	Cycle Advance	0.18
04.	Advance to Home Guard	0.25
05.	Claim for overloading of coal	0.38
06.	Amount owing for License	4.69

In the absence of proper explanation and clarification on the above items we are unable to comment on truth and fairness of figure appearing in the books of accounts.

3. The Company has booked administrative expenses of Rs 17.28 Cr. and Income of Rs0.92 Cr. on the basis of debit/Credit note received from its holding Company the same could not be verified by us in the absence of proper documents related to us.
4. During the reconciliation of 26AS we have found that there was short reflection of TDS as compared to the amount accounted in books by Rs. 46.04 Lacs.
5. The following receipts and TDS thereon have been booked on the basis of 26AS and related supporting documents has not been provided to us. Therefore we are unable to comment upon the correctness of the figures and the impact of same could not be ascertained on the financial statement.

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Sl. No.	Income Received From	Head	Amount Credited as per 26AS	TDS Amount
01.	Ashok Buildcon Ltd	Interest Income	Rs 267.92 Lacs	26.79 Lacs
02.	Bihar Mega Power Limited	Interest Income	Rs 70.57 Lacs	Rs 7.05 Lacs
03.	Hindustan Urwark & Rasayan Limited	Received under Deposit head	Rs13.30 Lacs	Rs 13.30 Lacs
04.	Jharkhand Agency	Received under Deposit head	Rs0.26 Lacs	Rs 0.26 Lacs
05.	NTPC	Received under Deposit head	Rs 1.96 Lacs	Rs 1.96 Lacs
06.	PVUNL	Received under Deposit head	Rs00.40 Lacs	Rs 0.40 Lacs

6. Out of total government loan amounting to Rs 9435.52 Cr. (P.Y. – 8028.02 Cr.) includes the deemed loan of Rs 81.23 Crore 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. The Consolidated Financial Statement include the Company's share of net profit/(Loss) including other comprehensive income using Equity Method for the year ended 31st March 2019 as considered in the Consolidated Financial Statement in respect of following joint venture entity whose financial statements/Financial information has not been audited by us:

Sl. No	Name of Joint Venture Entities	Company's share of Net profit/(loss) using Equity Method
01.	Patratu Vidyut Utpadan Nigam Ltd. (PVUNL)	(37.89 Lacs)
	Total	

Financial statement/Financial Information of PVUNL has been audited by the other auditor whose report has been furnished to us by the Company's Management up to 10.06.2020 and our opinion on the Consolidated Financial Statement, in so far it relates to the amount and disclosures included in respect of this joint venture, and our report in terms of sub section (3) of Section 143 of the Act, in so far as it relates to the aforesaid Joint Venture, is based solely on the report of the other auditor of joint venture, after considering the requirement of Standard on Auditing (SA 600) on using work of Another Auditor including materiality.

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



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2. In the standalone financial statements of JBVNL for FY 2018-19, the Investment in share application money of PVUNL of Rs. nil has been disclosed for previous FY 2017-18. However, on reconciliation of the books of JBVNL and PVUNL, it is noted that, the investment in share application money of PUVNL is understated by Rs 1124.32 Lakh for the previous reporting period FY 2017-18. Accordingly, JBVNL has prepared the Consolidated Financial Statements for the FY 2018-19 after restating the Investment in share application money of PVUNL to Rs 1124.32 Lakh for the previous reporting period FY 2017-18. The corresponding liability for restating the Investment has been recognized as deemed loan from Government of Jharkhand in the same year. (Note 5)
3. We have not received Board Reports for the Financial Year 2016-17, 2017-18 and the initial report of 2018-19. 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.
4. 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.
5. The Annual Accounts for the financial years 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 4th AGM for the Financial Year 2016-17, which was held on 19th September, 2017, is still in an adjourned state. The AGM for 2017-18 had been called on 24th September 2018 and that is also at the adjourned state on the date of reporting. The AGM for the current financial year was called on 24 September 2019 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.
6. The Management Representation letter as received, states that corrective actions are being taken by the Company in terms of the "Order on Approval of Business Plan and ARR for MYT Control Period FY 2016-17 to FY 2020-21; And Distribution and Retail Supply Tariff for FY 2016-17 for Jharkhand Biji 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.
7. 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.

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8. Technical Audit of operation is desirable to reduce losses and for improvement of efficiencies.
9. Dues under the MSME Act, 2006 have not been disclosed. No interests have been calculated and provided for in the Financial Year 2018-19, wherever it was applicable.
10. Company has recorded miscellaneous expenses of Rs 0.62 Cr. (PY – 0.34 Crore) 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.
11. The information provided in the Additional Note -30 related to additional notes to the financial statement are not properly disclosed:
 - a. In note – 31(3) related and Subsidy company has disclosed the total capital grant has been received during the year is 1449.02 Crore which also includes reclassification of loan to grant of Rs 14 Cr. However, the same is not disclosed additionally.
 - b. In note – 31(12) regarding the Other Disclosure Company has shown the amount of net transaction with JUUNL and JUSNL of Rs 246.00 Crore and Rs 203.92 Crore respectively instead of gross transaction of power purchase and transmission charges of JUUNL & JUSNL of Rs 24.30 Crore and Rs 203.35 Crore, respectively.
 - c. The company has not disclosed the transaction with JUVNL under the disclosure of related party transaction.
 - d. The Company has disclosed the total consolidated amount paid to KMP of Rs 60.91 Lacs during the F.Y. - 2018-19 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)
12. Interest earned on fixed deposits which should be capitalized by the company to the fixed assets during the year was treated as an income in all the units. Due to this the P&L is understated. We were not able to quantify the amount of interest. Therefore, its effect on the Ind AS Financial Statements is not ascertainable.
13. As observed by CAG during the supplementary audit of Audited Accounts of F.Y. 2017-18 and also reported by us, the company had not made provisions of Rs 19.60 Cr of expenses under O&M head which were paid in the F.Y. 2018-19. The company did not reconcile and transfer such expenses to prior period during the F.Y. 2018-19.
14. 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.
15. We have not been provided with the customer wise billing data of sale made to HT consumers of Rs. 324.73 Crore for the month of April, 2018 and May, 2018 which were



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maintained manually.

16. The company has made the provisions for liabilities for expenses under the head Liabilities for suppliers/works (O & M) on admitted bills that have been received by company till July 2019, bills submitted after that period will be treated as the prior period item in next year and those will be accounted accordingly.
17. The company has issued the cheques to suppliers/contracts of Rs 254.10 Crore through PL Account in the month of March 2019 which was not honored by the Treasury account and was returned in the month of April 2019. The payments were subsequently released again in the same month. Due to this creditor's balances are showing understated by Rs 254.10 Crore.

For Prakash Sachin & Co

Chartered Accountants
F.R.N: 012513C

Ratandeep Sinha

CA Ratandeep Sinha
Partner

M.No - 308683

UDIN: 21308683AAAAAF7371



Date: 08.01.2021

Place: Ranchi

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Annexure D" 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 and no assets were received as gifts/grants from government or other authorities.

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, 2019.

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



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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.

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.

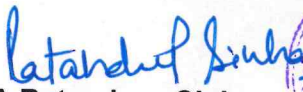
6. Comment on the confirmation of balances of trade receivable, Trade payable, term deposit, bank account and cash obtained.

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 received the confirmation of total of Rs 54.86 Cr. only for HT consumers and no confirmation was obtained for LT 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


CA Ratandeeep Sinha
Partner
M.No - 308683
UDIN: 21308683AAAAAF7371



Date: 08.01.2021
Place: Ranchi

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“Annexure E”–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”)

In conjunction with our audit of the Consolidated Financial Statements the Company, as of and for the year ended 31st March 2019, we have audited the internal financial controls with reference to the Consolidated Financial Statements of Jharkhand Bijli Vitran Nigam Limited (“The Company”) and its Joint Ventures, which are companies incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Company and its Joint Ventures, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls with reference to Consolidated Financial Statements based on the internal controls over financial reporting criteria established by the Company and its Joint Ventures, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (“the Guidance Note”) 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 the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls with reference to Consolidated Financial Statements 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, both, issued by the 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, with reference to Consolidated Financial Statements. 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 with reference to Consolidated Financial Statements was established and maintained and if such controls operated effectively in all material aspects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system with reference to Consolidated Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Consolidated Financial Statements included obtaining an understanding of internal financial controls with reference to Consolidated Financial Statements, 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



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auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of Joint Ventures, which are companies incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial control system with reference to Consolidated Financial Statements.

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 Consolidated Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to Consolidated Financial Statements 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 Consolidated 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 Consolidated Financial Statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, for matters described in "**Basis of Adverse Opinion paragraph**" the Company and its joint ventures cannot be said to have an adequate internal financial controls system with reference to Consolidated financial statement and such internal financial controls with reference to Consolidated financial statement cannot be said to have been operating effectively as at 31 March 2019 based on the 'internal control over financial reporting' criteria established by the Company and its joint venture considering the essential components of



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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).

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 28.69% 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. 2018-19.
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 our opinion, due to inadequacy of internal financial control, there is gap between actual and financial figures approved by JSERC vide original order dated 27th April, 2018 further revised on 28th February, 2019 and as mentioned below:

Particulars	Units	FY 19 Approved	Actual	Deviation
Total MU Sold	Mus	10,285.46	9,277.55	1,007.91
Power Purchase	Mus	12,586.15	12,860.36	(274.21)
AT&C loss*	%age	15.00%	28.69%	(0.14)
Collection Effn	%age	100.00%	92.27%	7.73%
Capital Investment	Rs Cr	2,493.85	7,261.01	(4,767.16)
Closing CWIP	Rs Cr	4,200.15	5,745.23	(1,545.08)
Power Purchase Cost	Rs Cr	5,526.15	5,615.09	(88.94)
Solar Energy	Mus	43.66	39.78	3.88
Gross Fixed Asset	Rs Cr	8,990.03	10,556.73	(1,566.70)
Employee Cost	Rs Cr	224.44	294.14	(69.70)
Depreciation**	Rs Cr	160.64	319.83	(159.19)
Provision for Bad Debts***	Rs Cr	-	62.32	(62.32)
Total Revenue at Existing Tariff (Calculated)	Rs Cr	4,953.24	3,829.53	1,123.71

* AT&C sum of technical and commercial loss.

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

*** It is calculated taking the value of debtors excluding of Provision for unbilled revenue.

4. While checking the procedure of financial transactions and decision making for expenses related to turnkey projects and power purchase, we observed that the awards of contracts by Special Purchase Committee (SPC) required presence of finance representative who has to be ED (Finance) and in absence of ED (Finance), next below level i.e. Sr GM (F&A) is to be nominated as a member of SPC. However, we found that GM (P&FM) was acting as the finance representative in the absence of ED (Finance). On further examination, we observed that CFO was not involved in the day to day financial activities and decisions relating to expenses. Such non-involvement of key finance officer resulted in ineffective financial controls.



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The issue was also raised by the AG (Audit) as per the Minutes of the meeting between Energy Secretary, AG (Audit) and JBVNL dated 17.12.2018.

5. 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.
6. 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.
7. 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 shortage of material, material stored in the open area.
8. No internal auditors were appointed till the closure of statutory audit for the Financial Year 2018-19. It needs to have separate dedicated department for internal audit to closely monitor the audit assignment and take remedial measures on audit observation in the timely manner.
9. We have not been given the details of stage and status of the ongoing Turnkey Project under various schemes. Hence, we are unable to comment upon status of completion of projects.

Other Matter

10. Our aforesaid report under Section 143(3)(i) of the Act on the Adequacy and operating effectiveness of the internal financial controls with reference to Consolidated Financial Statements of the Company, in so far it relates to 1 (One) Joint Venture Company, incorporated in India, is based on the corresponding reports of the auditors of such companies, incorporated in India.

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


CA Ratandeep Sinha
Partner

M.No - 308683
UDIN: 21308683AAAAAF7371



Date: 08.01.2021
Place: Ranchi