



JHARKHAND BIJLI VITRAN NIGAM LTD

Engineering Building, Dhurwa
Ranchi - 834004
Jharkhand

ANNUAL AUDIT REPORT **F.Y. - 2018-19**

Prakash Sachin & Co.

Chartered Accountants

Jamtara, Jharkhand
e mail : sachin@psc.co.in
+91 9891315840

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 2019 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 2019 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 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 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 affect 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.



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website -www.psc.co.in

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

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 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,

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Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website -www.psc.co.in

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.

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.

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website -www.psc.co.in

- 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



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Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
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sachin@psc.co.in
website - www.psc.co.in

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.

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 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



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C/o Ram Chandra Prasad
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+91 9818295840
sachin@psc.co.in
website -www.psc.co.in

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 12th 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 1.14 of notes to accounts)
- The company has capitalized assets under ADP head since the F.Y. 2014-15 till 2018-19. However, borrowing cost have 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 undercapitalised. 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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Court Road, Jamtara
Jharkhand, 815351
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website -www.psc.co.in

(ii) CWIP

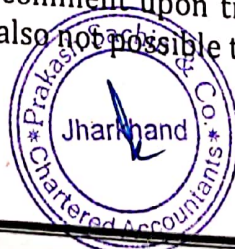
- Out of total capital work in progress excluding interest & Finance charges as on 31.03.2019 amounting to Rs 5117.39 Cr. (P.Y.-2556.16 Cr) we have not been provided the scheme wise bifurcation of CWIP of Rs 1176.38 Cr. The details of same was not readily available with company.
- We have not been given 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 31st March, 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 unreconciled 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.



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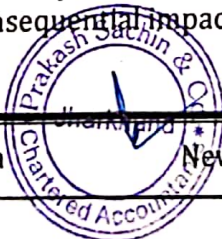
C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

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 with value as on 31.03.2019 has also not been provided to us for verification. The year-end balance of inventories is Rs 292.05 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 Rs 143.74 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.



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
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website - www.psc.co.in

- 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.
- 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



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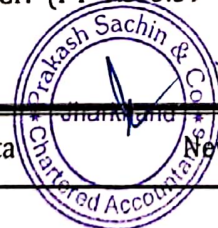
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Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

				for long.
			Rs 0.12 lacs	3 cheque amounting to Rs 11875 has been deposited in bank in 2017 but still not credited in Bank.
		SBI A/c No - 11466048168	Rs 0.13 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
		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



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
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+91 9818295840
sachin@psc.co.in
website -www.psc.co.in

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 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

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Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
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+91 9818295840
sachin@psc.co.in
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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 Rs 2.70 Cr 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.

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 :



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

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 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:

Sl 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 bank has disbursed the remaining Rs 250 Crore but accordingly modification of charge has not been done.

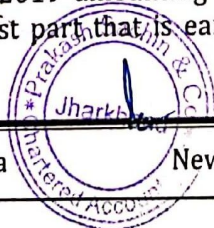
• **Liabilities for Establishment**

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



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

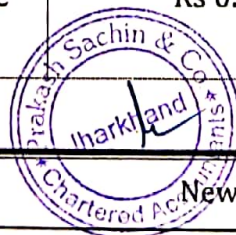
fund which should be booked under CWIP instead and not liability. In the absence of proper segregation of such investments, we are unable to quantify the amount.

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 Deducted at 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.



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Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

- (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.

14. 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.
- (ii) 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.
- (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 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)

- a) 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.
- b) Company has adjusted the amount of rebate of Rs. 43.72 Crore against the



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

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.

- c) 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 :

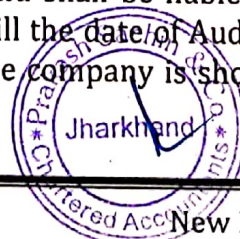
- ❖ Sri Rahul Purwar was appointed as director in three companies during the financial year 2018-19 but he did not disclose his interest in board meeting which was held immediately after such change.

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



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.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 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. 1519.74 Crore 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. 5272.13 Crore. (P.Y. Rs. 4521.03 Crore) and its Net worth has become negative. The Company has incurred a net loss during the current year of Rs 751.09 Crore (P.Y. Rs 212.16 Crore.) and the Company's current liabilities exceeded its current assets as at the balance sheet date by Rs 4780.71 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, the Ind AS Financial Statements of the Company for this F.Y. 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.



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
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website - www.psc.co.in

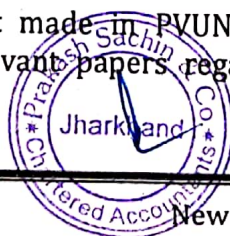
Sl No	Particulars	Amount (Rs in Cr)
01.	Assets Taken over from Pending Valuation	2.08
02.	Cash found in excess of verification	0.0004
03.	Cycle Advance	0.18
04.	Advance to Home Guard	0.25
05.	Claim for overloading of coal	0.38
06.	Amount owing for License	4.69

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.

- The Company has booked administrative expenses of Rs 17.28 Cr. and Income of Rs 0.92 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.
- 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.
- The following receipts and TDS thereon has 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.

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	Rs 13.30 Lacs	Rs 13.30 Lacs
04.	Jharkhand Agency	Received under Deposit head	Rs 0.26 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	Rs 00.40 Lacs	Rs 0.40 Lacs

- 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



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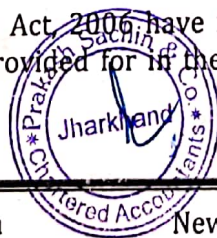
Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

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 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.
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 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.
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 MYT Control Period FY 2016-17 to FY 2020-21; And Distribution and Retail Supply Tariff for FY 2016-17 for Jharkhand Bijli Vitran Nigam Limited (JBVNL) issued by the Jharkhand State Electricity Regulatory Commission (JSERC). Such compliance is being closely monitored by the Company and necessary actions are being taken for the improvement like reduction of AT&C Loss, collection & billing efficiency, payment/adjustment of interest of consumer securities.
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 the MSME Act, 2006, have not been disclosed. No interests have been calculated and provided for in the Financial Year 2018-19, wherever it

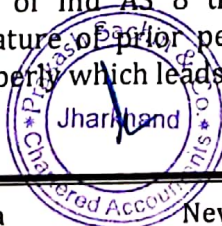


Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
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- was applicable.
8. 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.
9. The information provided in the Additional Note -30 related to additional notes to the financial statement are not properly disclosed:
- In note - 30.3 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.
 - In note - 30.13 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.
 - The company has not disclosed the transaction with JUVNL under the disclosure of related party transaction.
 - 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.
 - Short Term Employee Benefit
 - Post-Employment benefits
 - Other Long term benefits
 - Termination Benefits and
 - Share based Payment (in any)
10. Interest earned on fixed deposits which should be capitalized by the company to the fixed assets during the year was treated 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.
11. 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.
12. 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.



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

13. 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 maintained manually.
14. 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.
15. 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 honoured by the Treasury account and were 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.

"Annexure D" to the Independent Auditor's Report for the Financial Year 2018-19

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 proper records showing full particulars of quantitative details and situation of Fixed Assets. It does not maintain 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.
 - 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, the Company has conducted the physical verification of inventories as on 31st March 2019 in respect of all locations. Its reconciliation with general ledger has not been furnished to us for verification. Therefore, we are not able to comment whether the discrepancies which have been noticed during the physical verification of inventories has been properly dealt with books of accounts or not. Therefore, we are unable to comment about material discrepancy and its impact in the Ind AS Financial Statements.
- III. As per information and explanation provided to us, the Company has not granted any loan, secured or unsecured to companies, firm and other parties covered in the register maintained under Section 189 of the Companies Act,



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Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website -www.psc.co.in

- 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 section 185 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 hence 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. The maintenance of cost records under sub-section (1) of the section 148 of the Companies Act, 2013 is applicable to the Company under Rule 3 of the companies (Cost records and Audit) Amendment Rules, 2014 and the same has been complied with..
- 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	5.55 Crore
Employee State Insurance	1.16 Crore
TDS	11.13 Crore
Sales Tax	17.87 Crore
GST	0.29 Crore
NPS	3.07 Crore
Electricity Duty	160.40 Crore

- (b) In our opinion, the amount payable in respect of Sales Tax, Service Tax, Duty of Excise, 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 payable amount of total Loan for Rs. 8247.09 Cr. (which includes Rs 6136.37 Cr received under UDAY Scheme). During the Financial Year, it has borrowed a sum of Rs. 709.30 Cr. from the State Government.

Prakash Sachin & Co.

Chartered Accountants

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Out of total loan Rs 437.63 Cr has become due for payment as on 31st March 2019 and interest payable on the loan amounting to Rs 549.02 Cr has not been paid as on 31st March 2019. 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 31st March, 2019. But as there is weakness in Internal Control, the Company is significantly susceptible to such fraud.
- XI. The provisions of section 197 is 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 Ind AS 24, 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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Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website -www.psc.co.in

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, 2019, 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



Ratandeep Sinha
CA Ratandeep Sinha

Partner

M.No - 308683

Date: 31.10.2019

Place: Ranchi

UDIN:19308683AAAABU3114

Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

"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 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



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Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

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.

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 were 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

Ratandeep Sinha
CA Ratandeep Sinha

Partner

M.No - 308683

Date: 31.10.2019

Place: Ranchi

UJIN - 19308683AAAABU3114



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website - www.psc.co.in

"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, 2019 in conjunction with our audit of the standalone Ind AS Financial Statements of the Company for the year ended on that date.

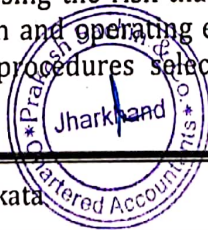
Management's Responsibility for Internal Financial Controls

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,



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 81535
+91 9818295840
sachin@psc.co.in
website -www.psc.co.in

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

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.

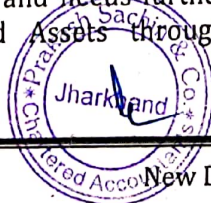
Inherent Limitations of Internal Financial Controls over Financial Reporting

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 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



Prakash Sachin & Co.

Chartered Accountants

C/o Ram Chandra Prasad
Court Road, Jamtara
Jharkhand, 815351
+91 9818295840
sachin@psc.co.in
website -www.psc.co.in

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. 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

Prakash Sachin & Co.

Chartered Accountants

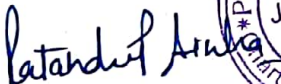
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- in Project cost reporting as well.
7. In central stores of the Company, on physical verification of store of the Company we have observed the following:
 - a) Gross delay in recording of the receipt and issue of inventories.
 - b) No proper accounting 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.

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 31 March 2019 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


CA Ratandeep Sinha
Partner

M.No - 308683

Date: 31.10.2019

Place: Ranchi

UDIN: - 19308683 AAAA BU3114

