

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF JHARKHAND BIJLI VITRAN NIGAM LTD, RANCHI FOR THE YEAR ENDED 31 MARCH 2014.

The preparation of financial statements of Jharkhand Bijli Vitran Nigam Ltd, Ranchi for the year ended 31 March 2014 in accordance with financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 02 July 2016.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Jharkhand Bijli Vitran Nigam Ltd, Ranchi for the year ended 31 March 2014. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

A. Comments on Profitability:

PROFIT & LOSS STATEMENT

INCOME

Revenue from Operations: ₹ 652.21 crore

1. Above includes revenue grant (resource gap) amounting to ₹ 154.83 crore which was related to prior to the company formation period. Company has taken total amounts as income in the accounts of the company.

This is resulted in understatement of Losses of the company as well as Restructuring Account pending adjustment by ₹ 154.83 crore.

Other Income: ₹ 598.41 crore

2. Not accounting of accrued interest of ₹ 1.46 crore as on 31.03.2014 on fixed deposits resulted in understatement of Current Assets and overstatement of Loss for the current year by the same amount.
3. Above includes ₹ 2.39 crore towards interest earned on un-utilised fund of RGGVY scheme that would be remitted to Ministry of Power, Govt. of India and therefore the same should have been booked in current liabilities instead of income of the Company. This has resulted in understatement of Current Liabilities as well as Losses of the company by ₹ 2.39 crore.

EXPENSES

Finance Costs: ₹ 21.02 crore

4. The above does not includes provision of interest on Power Finance Corporation (PFC) loan of ₹ 1.72 crore related to company period and paid in the month of April 2014. Not accounting of interest provision has resulted in understatement of Other Current Liabilities and loss for the year by ₹. 1.72 crore.
5. Above includes interest on PFC loan amounting to ₹ 1.98 crore which was related to prior to the company period. Accounting of the same as expenses of the company has resulted in overstatement of Losses of the company as well as Restructuring Account pending adjustment by ₹ 1.98 crore.

Purchase of Power and Transmission Charges: ₹ 1140.12 crore

6. The above does not includes Delayed Payment Surcharge claimed by TVNL which was payable for the period of January 2014 to March of 2014 amounting to ₹ 68.44 crore.

Not providing of the above liability has resulted in understatement of Other Current Liabilities as well as Losses by ₹ 68.44 crore.

Extraordinary Items (Prior Period): ₹8.19 crore

7. Above includes prior period expenditure of ₹ 8.19 crore which was not related to the company period as the first Accounts of the company were prepared from 06.01.2014 to 31.03.2014, it should not be the part of expenditure of the company. This is resulted in overstatement of loss of the company as well as Restructuring Account pending adjustment by ₹ 8.19 crore.

B. Comments of Financial Position:

BALANCE SHEET

Other Current Liabilities: ₹ 809.73 crore.

8. Opening balance of Other Current Liabilities as per Transfer Scheme was ₹ 6193.62 crore whereas opening balance in the accounts of the company was taken as ₹ 6166.61 crore. This is resulted in understatement of Other Current Liabilities of the company and overstatement of Restructuring Account pending adjustment by ₹ 27.01 crore.

C. General

9. The Company should transfer the provision amount of Pension, Gratuity and Earned Leave on monthly basis at the time of monthly payment of salaries to the master trust. The company has not transferred these amounts to the master trust and not made provision of interest on the amount of Pension, Leave Encashment, Gratuity as well as GPF & GSS not paid to Master Trust.

10. Cash Book of Revenue Account of Electric Supply Sub-division (ESSD) of the company does not match with Bank statement as on 31.03.2014. Immediate action is required to be taken to reconcile the above balances.

11. As per transfer scheme all liabilities towards gratuity, pension leave encashment, GSS and provident fund were not transferred to the company from erstwhile Jharkhand State Electricity Board. During the company period i.e. 05.01.2014 to 31.03.2014 total payment made on above head was debited to respective head which resulted in

256

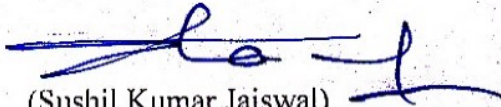
overstatement other current assets of the company as well as restructuring Account pending adjustment.

12. Credit and debit balances of inter unit transfer account and transfer within circle heads as on 31.03.14 which were to be adjusted among units in the same year, but these were appearing in the company's compiled accounts. These accounts should be adjusted and reconciled to eliminate their balances.

13. Debtor as per annual account was ₹ 3446.89 crore whereas Debtor as per Revenue Accounts maintained by revenue section on the basis on consumer ledger was ₹ 3249.13 crore. Hence the difference of ₹ 197.76 crore is required to be verified and reconciled.

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

Place: Ranchi
Date: 28-12-2016


(Sushil Kumar Jaiswal)
Accountant General (Audit)
Jharkhand, Ranchi