

प्रधान महालेखाकार (लेखापरीक्षा)
झारखण्ड का कार्यालय, राँची - 834002



OFFICE OF THE
PRINCIPAL ACCOUNTANT GENERAL (AUDIT),
JHARKHAND, RANCHI - 834002

दिनांक/Date 27/1/2022

ED (F&A)
GM (A&R) cum CFO

No. PAG (Audit)/JBVNL/AMG-I/2018-19/A-156/890

Managing Director
Jharkhand Bijli Vitran Nigam Limited

To

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

107/CS
31/1/22

Sub: Comments of the Comptroller and Auditor General of India under Section 143 (6) (b) of Companies Act, 2013 on the Consolidated Financial Statements and Financial Statements of Jharkhand Bijli Vitran Nigam Limited for the year ended 31 March 2019.

Sir,

I am to send the comments of the Comptroller and Auditor General of India under section 143 (6) (b) of Companies Act, 2013 on the Consolidated Financial Statements and Financial Statements of Jharkhand Bijli Vitran Nigam Limited for the year ended 31 March 2019. The comments may be placed in the Annual General Meeting of the company and a copy of the minutes of the AGM may please be sent to this office. The Printed Annual Report (5 copies) of the company for the year 2018-19 may also be sent to this office.

बिजली विद्युत निगम (कंपनी)
वा.नं. 370... दि. 31/03/22
आ. वि. वि. निगम वि. वि. वि.

03 FEB 2022

Encl: As stated

Yours faithfully,

Deputy Accountant General (AMG-I)

mgz (at lamp)
07/01/2022

Sri Souabh
CB
08/02/2022

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENT OF JHARKHAND BIJLI VITRAN NIGAM LIMITED, RANCHI FOR THE YEAR ENDED 31 MARCH 2019.

The preparation of consolidated financial statements of Jharkhand Bijli Vitran Nigam Limited, Ranchi for the year ended 31 March 2019 in accordance with financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 139(5) read with section 129(4) of the Act is responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 08 January 2020.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the consolidated financial statements of Jharkhand Bijli Vitran Nigam Limited for the year ended 31 March 2019 under section 143(6)(a) read with section 129(4) of the Act. We did not conduct a supplementary audit of the financial statements of Patratu Vidyut Utpadan Nigam Limited for the year ended on that date. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

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

A. Comments on Consolidated Profitability

1. Note 25 -Purchase of Power and Transmission charges: ₹ 5615.09 crore

The above does not includes supplementary power purchase bill for the period of 2018-19 amounting to ₹ 58.19 crore related to power companies. Supplementary Power purchase bill of power companies for the year 2018-19 were received after March 2019 but before the date of finalization of financial statements. Since the accounts was prepared on accrual basis, above expenditure were to be provided in the respective financial year.

Non-provision of the above liability towards power purchase in the year 2018-19 has resulted in understatement of Other Current Liabilities and loss by ₹ 58.19 crore.

2. Note 22- Provisions- Current: ₹ 1502.95 crore.

Above does not include a sum of ₹ 642.74 crore relating to provisions for gratuity, pension and earned leave encashment.

Company has made provision of total ₹ 1492.86 crore relating to gratuity, pension and earned leave encashment but as per actuarial valuation report of the company should have made provision of ₹ 2135.62 crore

Thus, short provision of ₹ 642.74 crore has resulted in understatement of other current liability and understatement of loss by the same amount

3. Note 25 -Purchase of Power and Transmission charges: ₹ 5615.09 crore

The above amount does not include a sum of ₹ 1.12 crore relating to power and transmission charges due to short account of billed amount.

Jharkhand Urja Utpadan Nigam Limited raised bill amounting to ₹ 94.25 crore for the year 2013-14 to 2018-19 but company accounted ₹ 93.13 crore towards power and transmission charges.

Short-accountal of the above Electricity Purchase Bills resulted in understatement of Purchase of Power and Transmission charges, trade payable and loss by ₹ 1.12 crore.

B. Comments on Consolidated Financial Position

1. Note 3A-Depreciation and amortization expense: ₹ 519.84 crore

Above does not includes ₹ 36.17 crore towards depreciation due to non capitalization of assets and non-charging of depreciation on it.

As per *IND AS* 16 depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Due to non-capitalization of assets and not charging depreciation has resulted in understatement of current year loss by ₹ 28.31 crore and prior period loss by ₹ 7.86 crore and overstatement of fixed assets by same amount.

2. Note 3B- Capital Work in Progress: ₹ 5745.22 crore.

Above include an amount of ₹ 5.80 crore of operation and maintenance expenditure booked under Capital Work in progress.

The above amount pertained to inventory issued under operation and maintenance of the assets created, however, due to non-classification of the same by the JBVNL, the same has been wrongly booked under Capital Work in progress.

Thus, wrong booking of the same has resulted in understatement of expenses and overstatement of capital work in progress by ₹ 5.80 crore.

3. Note 3B- Capital Work in Progress: ₹ 5745.22 crore.

Above does not include an amount of ₹ 130.74 crore pertaining to the storage and other charges which should be charged to the capital work in progress at the rate of 3% of the cost of materials.

As per the accounting policy of JBVNL, other capital work in progress are carried at cost, comprising of direct cost, related incidental expenses and attributable interest and at the time of preparation of estimates and work order, 3 percent of the material cost is taken as storage charge considering it as related incidental expenses.

However, while accounting the issue of inventory as capital work in progress, only material cost and labour cost has been taken in the capital work in progress. During 2018-19 ₹ 4,358.14 crore has been booked in CWIP as Material cost but ₹ 130.74 crore of storage expense has not been booked as CWIP.

This resulted in understatement of CWIP and overstatement of storage expenses by ₹ 130.74 crore.

4. Note 20- Other Current Financial liabilities: Others: ₹ 3,665.29 crore.

The above amount does not include provision for expenses of ₹ 2 Crore which was related to the financial year 2018-19 and paid in financial year 2019-20 in respect of various units of JBVNL. Since the accounts was prepared on accrual basis of accounting, above expenditure was to be provided in the respective financial year 2018-19.

Non-provision of ₹ 2 Crore for outstanding expenses has resulted in understatement of other current liabilities as well as current year loss by the same amounts.

5. Note 3B- Capital Work in Progress: ₹ 5745.22 crore.

Above include a sum of ₹ 46.70 crore relating to capital work in progress (Interest and finance charges). During 2018-19 company capitalized assets under various scheme like ADP, DDUGY in its various units but failed to charge interest to revenue accounts after date of capitalization of assets.

As JBVNL capitalize assets under various scheme like ADP, DDUGY in its various units, So, interest after date of capitalization on these assets should have been charged to profit & loss Accounts.

Non charging of above sum in profit and loss has resulted in over statement of capital work in progress and understatement of loss by ₹ 46.70 crore.

6. **Note 25 -Purchase of Power and Transmission charges: ₹ 5615.09crore**

The above amount does not include a sum of ₹ 313.77 crore (₹ 83.37crore+₹ 230.40 crore) towards Delay Payment Surcharge (DPS) claimed by Tenughat Vidyut Nigam Limited and DVC against their supply of electricity during 2018-19.

As the power purchase agreement between parties, DPS was payable, therefore the above DPS amount payable as on 31.03.2019 should be accounted during 2018-19 in order to reflect a true and fair state of affairs of the company as on that date.

Thus, it resulted in understatement of Trade Payables and current year loss by ₹ 313.77 crore.

7. **Note 3B- Capital Work in Progress: ₹ 5745.22 crore.**

Above Include a sum of ₹ 6.23 crore relating to penal interest charged on non-payment of loan instalment.

As Penal Interest is a penalty which was paid or payable due to failure for payment and this should be charged to revenue instead of capitalizing.

Thus, non-charging of penal interest into to revenue has resulted in over statement of CWIP (Interest & Finance charge) and understatement of current year loss by ₹ 6.23 crore.

8. **Note 3B- Capital Work in Progress: ₹ 5745.22 crore.**

Above include a sum of ₹ 143.65 crore relating to capital work in progress (Interest and finance charges). During 2018-19 JBVNL capitalize assets under scheme DDUGY in its various units.

As per *IND AS* – 16 depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

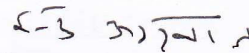
On the basis of completion certificate, the company capitalize its assets and depreciation is charged thereon in their books of accounts. Completion certificate is submitted by the technical wing of the respective scheme. It was observed that ₹ 1,105 crore value of assets were capitalized in five districts but they were shown as capital work in progress in the books of company. So interest charged on these assets should have been charged to profit & Loss A/c.

Non charging of above sum in profit and loss has resulted in over statement of capital work in progress and understatement of loss by ₹ 143.65 crore. (13% of ₹ 1,105 crore).

9. General

1. As per section 129(3) of the Companies Act, 2013, a company is required to prepare CFS along with standalone financial statement and get them audited to lay before the Annual General Meeting of the company unless the preparation of the CFS is exempted by the Central Government {Section 129(C) of the Companies Act 2013}/Companies (Accounts) Amendment Rules 2016. As JBVNL has a joint venture company Patratu Vidyut Utpadan Nigam Limited wherein 26 per cent share related to JBVNL as on 31.03.2016. Jharkhand Bijali Vitran Nigam Limited has not submitted Consolidated Financial Statement for the year 2015-16 for compliance of section 129(3) of the Companies Act, 2013.
2. One Consumer (Consumer No- L-2) Divisional Electric Engineer (G) Eastern Railway Dhanbad for railway station Barwadih, Latehar was billed under Electric Supply circle, Daltonganj. During the scrutiny of bill of above consumer, huge arrear against Delay Payment Surcharge were billed by supply circle. Every month circle raised DPS which were about 4 crore monthly which was not paid by Railway since inception i.e. year 1999. During discussion it was made known to audit that circle used to raise higher bill which were not practical. Since this case related to very old period, huge outstanding are coming and unnecessary DPS were raising to Railway. The reason of huge arrear was difference in Contract demand of 2267 KVA (w.e.f 1999) by the circle whereas the actual contract agreemental demand was 300 KVA. In this reason income of the company was overstated by more than ₹ 437.21 crore in the year 2018-19. Necessary correction accounting entries may be passed to rectify the revenue and debtors of the company.

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



(Indu Agrawal)

Principal Accountant General (Audit)

Jharkhand, Ranchi

Place: Ranchi
Date: 27-01-2022