

सत्यमेव जयते

कार्यालय महालेखाकार (लेखा परीक्षा), उत्तराखण्ड
OFFICE OF THE ACCOUNTANT GENERAL (AUDIT),
UTTARAKHAND



पत्रांक- म.ले/उ.ख/आर्थिक-1/उ.ज.वि.नि.लि/2014-15/ 1450
दिनांक: 28.09.2015

सेवा मे,

कौपनीय

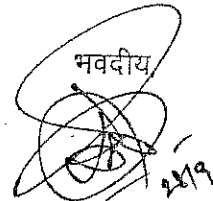
प्रबन्ध निदेशक
उत्तराखण्ड जल विद्युत निगम लिमिटेड,
महारानी बाग,
जी. एम. एस. रोड,
देहरादून

महोदय,

एतत्सह कम्पनी अधिनियम, 2013 की धारा 143 (6) (b) के अधीन उत्तराखण्ड जल विद्युत निगम लिमिटेड के 31 मार्च, 2015 को समाप्त होने वाले वर्ष के लेखों पर, भारत के नियंत्रक महालेखा परीक्षक की टीका-टिप्पणियाँ, उपरोक्त अधिनियम के प्रावधानों के अनुसरण में प्रेषित की जा रही हैं। कृपया कम्पनी की वार्षिक सामान्य बैठक के समक्ष इन टीका टिप्पणियों के प्रस्तुत किए जाने की वास्तविक तिथि की सूचना देने का कष्ट करें।

कृपया पावती भेजें।

संलग्नक- यथोपरि।

भवदीय

(सौरभ नारायण)
महालेखाकार

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 143 (6) (b) OF THE COMPANIES ACT, 2013 ON THE
FINANCIAL STATEMENT OF UJVN LIMITED FOR THE YEAR ENDED
31 MARCH 2015.**

The preparation of financial statements of UJVN Limited for the year ended 31 March 2015 in accordance with financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act is responsible for expressing opinion on these financial statements under Section 143 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 09 July 2015.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143 (6) (a) of the Act, of the financial statements of UJVN Limited for the year ended 31 March 2015. 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) of the Act 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.

BALANCE SHEET

- 1 Trade Receivables (Note 16)
Outstanding for a period exceeding six month
(from the date they become due for payment) -
Unsecured considered good: ₹ 646.16 crore

This includes ₹ 10.23 crore representing the electricity charges billed against U.P. Irrigation Department (consumer) by the Kalagarh division of the Company during the period from November 2001 to March 2012. Since non-realization of this amount of ₹ 10.23 crore is due to forthcoming counter claims of U.P. Irrigation Department towards expenditure incurred on account of maintenance of Ramganga project, the Company has neither made any provision nor this material fact has been disclosed by way of Note to Accounts.

STATEMENT OF PROFIT AND LOSS

2. Depreciation and amortization expenses (Note 10): ₹ 78.80 crore

The above does not include depreciation of ₹ 4.88 crore on the assets capitalized during the year. The Company provided depreciation on the fixed assets from the year following that in which assets became available which is not in order and is against the provisions of Accounting Standard 6 as well as UERC which *inter-alia* states that in case of operation of assets for part of the year, depreciation shall be charged on pro-rata basis.

This has resulted in understatement of Depreciation and overstatement of Profit as well as Fixed Assets by ₹ 4.88 crore.

3. SIGNIFICANT ACCOUNTING POLICIES - Depreciation

As per policy adopted by the Company, depreciation of Fixed Assets has been charged as per rates notified by Central Government under the Electricity (Supply) Act, 1948 on Straight Line Method.

The Electricity (Supply) Act, 1948 has been repealed vide Section 185 of Electricity Act, 2003. Hence, adoption of depreciation rates prescribed under the Electricity (Supply) Act, 1948 is irrelevant to the provisions of Section 185 of Electricity Act, 2003. As the Electricity (Supply) Act, 1948 has been repealed and Electricity Act, 2003 has been enacted, therefore the Company should have adopted the depreciation rates prescribed by CERC/UERC.

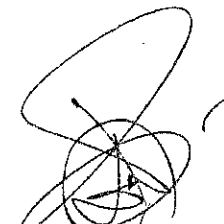
4. Note to Accounts – Explanatory Statement (Note 26)

As approved by the Government of Uttarakhand, the Company has to pay ₹ 60.28 crore to the Irrigation Department, Uttarakhand towards establishment charges in lieu of centage charges for the works carried out by Irrigation Department relating to Maneri Bhali -II pending realization from the State Government. This material fact should have been disclosed by way of Note to Accounts.

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

Place: Dehradun

Dated: 28/9/2015


(SAURABH NARAIN)
Accountant General

COMMENTS UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 AND MANAGEMENT REPLIES THERETO ON THE FINANCIAL STATEMENTS OF UJVNL LIMITED FOR THE YEAR ENDED 2014-15.

PARA NO.	AG COMMENTS	MANAGEMENT REPLIES
1	<p>Balance Sheet</p> <p>Trade Receivables – (Note No. 16)</p> <p>(a) Outstanding for a period exceeding six month (from the date they become due for payment)</p> <p>Unsecured considered good – Rs. 646.16 crore</p> <p>This includes Rs. 10.23 crore representing the electricity charges billed against U.P. Irrigation Department (consumer) by the Kalagarh division of the Company during the period from November 2001 to March 2012. Since non-realization of this amount of Rs. 10.23 crore is due to forthcoming counter claims of U.P. Irrigation Department towards expenditure incurred on account of maintenance of Ramganga project, the company has neither made any provision nor this material fact has been disclosed by way of Note to Account.</p>	<p>The Electricity bills against UP Irrigation Department Kalagarh were raised by erstwhile UPSEB and thereafter by UJVNL till March 2012 (afterwards the distribution network has been handed over to UPCL) but no payments of such bills have been made by UP Irrigation Department, Kalagarh so far.</p> <p>It is also worthwhile to mention here that UP irrigation department is acknowledging the claims raised by UJVNL and they have also repeatedly asked for adjustment of the said claims against their provisional bills raised towards distribution of expenditure on account of maintenance of Ramganga Project. These provisional bills were neither acknowledged nor paid by erstwhile UPSEB or by UJVNL.</p> <p>Since the claims raised by UJVNL are acknowledged by UPID i.e. a govt. agency; the electricity charges billed are being classified and carried forward as “Sundry Debtor considered good”.</p> <p>However, non-realisation of the said amount is due to counter claims initiated by UPID and same shall be properly disclosed by way of a note in the Explanatory Statement in FY 2015-16.</p>

COMMENTS UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 AND MANAGEMENT REPLIES THERETO ON THE FINANCIAL STATEMENTS OF UJVN LIMITED FOR THE YEAR ENDED 2014-15.

PARA NO.	AG COMMENTS	MANAGEMENT REPLIES
2	<p>Statement of Profit and Loss</p> <p>Depreciation and amortization expenses –(Note -10) Rs. 78.80 crore</p> <p>The above does not include depreciation of Rs. 4.88 crore on the assets capitalised during the year. The Company provided depreciation on the fixed assets from the year following that in which assets became available which is not in order and is against the provisions of Accounting Standard 6 as well as UERC which inter-alia states that in case of operation of assets for part of the year, depreciation shall be charged on pro-rata basis.</p> <p>This has resulted in understatement of Depreciation and overstatement of Profit as well as fixed assets by Rs. 4.88 crore.</p>	<p>Accounting Policy for Depreciation of Nigam is as follows:-</p> <p><i>“Depreciation on Fixed Assets of Large, Medium and Small Hydro Projects including transferred from erstwhile UPSEB has been charged as per rates notified by Central Government under the Electricity (Supply) Act (ESA), 1948 on Straight Line Method”.</i></p> <p>Depreciation is provided on Fixed Assets from the year following that in which the assets became available for use as per ESA. The above policy and method of calculation of depreciation is being consistently followed by the Nigam since FY 2002-03.</p> <p>Further, as per Para 15 of Accounting Standard – 6 “Depreciation Accounting” issued by ICAI: <i>“The method of depreciation is applied consistently to provide comparability of the results of the operations of the enterprise from period to period”.</i></p> <p>Since the assets in question are capitalized in FY 2014-15 only, hence depreciation on the said addition to the tune of Rs. 4.88 crore will be provided in FY 2015-16 as per the policy of the Nigam. Please also refer our comments on point no. 3.</p>

COMMENTS UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 AND MANAGEMENT REPLIES HERETO ON THE FINANCIAL STATEMENTS OF UJVN LIMITED FOR THE YEAR ENDED 2014-15.

PARA NO.	AG COMMENTS	MANAGEMENT REPLIES
3	<p>Significant Accounting Policies - Depreciation</p> <p>As per policy adopted by the Company, depreciation of Fixed Assets has been charged as per rates notified by Central Government under the Electricity (Supply) Act, 1948 on Straight Line Method.</p> <p>The Electricity (Supply) Act, 1948 has been repealed vide Section 185 of Electricity Act, 2003. Hence, adoption of depreciation rates prescribed under the Electricity (Supply) Act, 1948 is irrelevant to the provisions of Section 185 of Electricity Act, 2003. As the Electricity (Supply) Act, 1948 has been repealed and Electricity Act, 2003 has been enacted, therefore the Company should have adopted the depreciation rates prescribed by CERC/UERC.</p>	<p>Clause (d) of sub section (2) of Section 185 (Repeal & Saving) of Electricity Act, 2003 provides that:</p> <p>(2) Notwithstanding such repeal</p> <p>(d) all rules made under sub-section (1) of section 69 (i.e. preparation of annual accounts) of the Electricity (Supply) Act, 1948 shall continue to have effect until such rules are rescinded or modified, as the case may be.</p> <p>Further, the regulations issued by different regulatory authorities i.e. CERC or UERC provides the rates of depreciation for specific purpose of determination of tariff only and not for the purpose of preparation of financial statements.</p> <p>Para 15 of Accounting Standard – 6 “Depreciation Accounting” issued by ICAI also states that: “<i>The method of depreciation is applied consistently to provide comparability of the results of the operations of the enterprise from period to period.</i>”</p> <p>Since, the Electricity Act, 2003 is silent about the methodology and rates of depreciation to be used and no rules were framed after its applicability till date hence the rules framed under the Electricity (Supply) Act, 1948 are being used and accordingly methodology and depreciation rates prescribed therein are consistently followed and applied by the Nigam.</p> <p>However, as advised, Nigam may re-examine the methodology and rates of depreciation in accordance with the methodology and rates of depreciation prescribed by CERC/UERC. Accordingly, effect of changes, if any arising from the adoption of the new method/rates shall be adjusted in the books of accounts in the year of change i.e. FY 2015-16 as per the Accounting Standards prescribed in this regard.</p>

COMMENTS UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 AND MANAGEMENT REPLIES HERETO ON THE FINANCIAL STATEMENTS OF UJVNL LIMITED FOR THE YEAR ENDED 2014-15.

PARA NO.	AG COMMENTS	MANAGEMENT REPLIES
4	<p>Note to Accounts Explanatory Statement –Note no. 26 As approved by the Government of Uttarakhand, the Company has to pay Rs. 60.28 crore to the Irrigation Department, Uttarakhand towards establishment charges in lieu of centage charges for the works carried out by Irrigation Department relating to Maneri Bhali –II pending realisation from the State Government. This material fact should have been disclosed by way of Note to Accounts.</p>	<p>Govt. of Uttarakhand (GOU) has given the approval of the payment of actual expenditure of Rs. 60.28 as centage charges in FY 2011-12 (MB-II project commissioned in FY 2007-08). The centage charges were never part of the Memorandum of Understanding between UJVNL and Uttarakhand Irrigation Department (UID) for construction of MB-II project. In turn the same had neither been taken in the project cost of MB-II nor has the Nigam provided the cost in any of its budget.</p> <p>The Nigam has requested GOU to provide the amount of Rs. 60.28 crore vide letter no. 744/MD/UJVNL/MB-II dated 23.08.2011 but it has not been provided to UJVNL for onward payment to UID till date.</p> <p>In view of above Nigam has neither provided for the liability in its books of accounts nor disclosed the facts by way of a note in the Note - 26 Explanatory Statement.</p> <p>However, proper disclosure in this regard shall be disclosed in the financial statements in FY 2015-16.</p>