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## INDEPENDENT AUDITOR'S REPORT

To  
The Members  
UJVN Limited  
Dehradun

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the accompanying financial statements of UJVN Limited, which comprise the balance sheet as at March 31<sup>st</sup>, 2020, and the statement of Profit and Loss (including Other Comprehensive Income), Statement of changes in Equity and the statement of Cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the financial statement").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid financial statements required by the Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31<sup>st</sup>, 2020 and profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

#### Basis for Qualified Opinion

1. The company has filed eight forms PAS-3 (Return of allotment of shares) for allotment of 8,53,215 equity shares of Rs. 1,000/- each without allotment of such shares in any board meeting. Hence, the allotment of such shares shown in its books and forms filed to MCA are void abinito. The paid up share capital of the company is overstated by Rs. 85,32,15,000/- and share application money pending allotment is understated by the same amount.

The company has made violation of Companies (Acceptance of Deposits), Rules 2014 by neither allotting shares within 60 days of the receipt of share application money (Rs. 85,32,15,000/-) nor disclosing the amount not so allotted as "Deposits".

2. We are of the opinion that a professional conducting secretarial audit be a different person than the person who is filing and assisting the management in filing the statutory forms with MCA, since, the independence of the secretarial auditor is jeopardized. The secretarial audit report dated 22.06.2020 has been issued by the same professional who has been associated in filling of various forms with MCA which does not point out the irregularities observed in filing of forms and other matters as pointed out in the statutory audit. We are of the opinion that in view of the above, in depth secretarial audit may be carried out by a competent professional to verify the various non-compliances/lapses and their consequences under the Companies Act, 2013.
3. At the time of conversion of accounts to Ind AS, the company has opted to continue with the carrying cost of all its Property; Plant and Equipments as recognized in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and used that as its deemed cost (IND AS 101: First Time Adoption of Indian Accounting Standards). However, the carrying cost of all its Property; Plant and Equipments are provisional. As stated by the management these provisional balances are taken in absence of final transfer scheme between UPJVNL and UJVNL. The accuracy of these balances of the specific assets & liabilities is not ascertainable in absence of any agreement between UPJVNL & UJVNL on final transfer scheme. These opening balances are unaudited and are not in agreement with the balances shown as transferred by UPJVNL in their audited accounts for the year ending 31.03.2002. These assets transferred from UPJVNL are shown at a value as determined by the management. The value of such assets is neither in agreement with the fixed assets register of UPJVNL nor are these certified by any approved valuer. Hence, we are unable to comment whether carried forward balances are correct.
4. Stock; stores and spares (Note no-9) are not taken at NRV as required by Ind AS 2. The management has certified that the same is shown at cost. Further, Stock; stores and spares includes Inventory damage, Inventory refurbishment and Inventory O&M used amounting to Rs. 3,92,93,595/-. Profit of the company is subject to adjustment, if any.
5. The management wide note-9 of notes to account has disclosed that the company has written off the investments made in five projects namely Kaldigad, Asi-Ganga I, Asi-Ganga II, Asi-Ganga III and Limchagad. An amount of Rs. 48.14 crores has been written off and charged to the profit and loss account as an exceptional item. The company has not taken into consideration the realizable value of the inventory and assets lying at these projects. The value cannot be determined in absence of information made available to us. Thus, the profit of the company is understated by such amount.
6. Figures are not substantiated by third party confirmation as required by SA 505- "External Confirmation".

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7. One of the major debtors of the company i.e. UPCL, is not making payment in respect of Cess and Royalty which is payable to the state government. The total outstanding in the name of UPCL as on 31<sup>st</sup> March, 2020 is Rs 707.39 crores out of which an amount of Rs.526.45 crores is in respect of Cess & Royalty, no provision towards the same has been made in the books of accounts.
8. The company has received grant of Rs. 7,79,00,000/- from the government of Delhi which remained unspent during the year. The company has earned interest on the grant and has credited the amount in Incidental expenditure pending Capitalisation (CWIP). This has resulted in understatement of CWIP and understatement of liabilities by the same amount.
9. The company is required to spend a sum of Rs. 3,52,17,938/- (up to 31.03.2017) under CSR. The unspent amount of Rs. 1,62,18,793/- is required to be deposited in a separate account, however, the company has failed to do so.
10. Capital work in progress includes Rs. 21.13 crores on account of CWIP related to Bhaironghati Hydro Power Project. The project was discontinued as per Government of Uttarakhand order dated 03.01.2011. GOU also directed to claim the expenditure incurred on the project from Government of India through GOU. However, the company had not lodged the claim. This has resulted in overstatement of profit as well as Capital work in progress by Rs. 21.13 crores.
11. Other financial liability at note no-17 includes an amount of Rs. 3,04,45,749/-, Rs. 42,38,912 under trade payables and security deposit payable and Rs. 2,88,81,125/- Note no-8 under advances to contractors respectively. These balances are outstanding since 31.3.2002. The details of these outstanding are not available with the company and need to be written off.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The Company's Management is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flow and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued there under.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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 to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to express an opinion on these financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in

the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other Matter**

The opinion expressed in the present report is based on the information, facts and inputs made available to us through electronic means by the company. We wish to highlight that due to the COVID 19 induced restrictions on physical movement, audit team could not undertake substantive audit procedures to physically verify various documents required to conduct statutory audit.

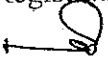
#### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit we report that:
  - a) We have sought and except for the matters described in the basis for qualified opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

- b) Except for the possible effects of the matter described in the basis for Qualified opinion paragraph above, In our opinion, proper books of accounts has been maintained as required by law and have been kept by the Company, so far as it appears from our examination of those books.
- c) the Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of accounts.
- d) Except for the possible effects of the matter described in the basis for Qualified opinion paragraph above, in our opinion, the aforesaid Ind AS financial Statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) rules,2015 as amended.
- e) There have been no observations or comments on financial transactions or matters which have any adverse effect on the functioning of the company.
- f) Being a government company pursuant to Notification No. GSR 463(E) dated 5<sup>th</sup> June, 2015 issued by Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of Section 164 of the Act, are not applicable to the Company.
- g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses a modified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- h) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
- i) the Company has disclosed the impact of pending litigations on its financial position in its financial statements. Refer Note No. 30 to the financial Statements.
- ii) As per the written representations received from the management, the company does not foresee any material losses on long term contracts and as such no provision for such losses has been made in the books of accounts.
- iii) The entire share capital of the company is held by the Government of Uttarakhand as such there is no requirement on part of the company to transfer any amount to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

3. As required by section 143(5) of the companies Act 2013, our comment in this regard to the direction and sub directions issued by Comptroller and audit general of India is given in "Annexure C" of the report.

For RAG & ASSOCIATES  
Chartered Accountants  
(Firm's Registration No.: 008653C)

  
CA Raghvendera  
(Partner)  
Membership No. 089757

Place of Signature: Dehradun  
Date: 01.09.2020  
UDIN:- 20089757AAAABQ8790



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**ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON  
THE FINANCIAL STATEMENTS OF UJVN LIMITED**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143  
of the Companies Act, 2013**

We have audited the internal financial controls over financial reporting of UJVN Limited as of March 31, 2020 in conjunction with our audit of the 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. 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 judgement, including the assessment of the risks of material misstatement of the 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls 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 Qualified Opinion**

1. ERP System implemented by the company does not provide maker-checker concept, Module for auditors to apply test of controls for conducting audit, reports on statutory compliances, does not ensure that the transactions are recorded on real time basis, proper audit trails are not available in the system, measures to safeguard assets and facility to draw final accounts from SAP along with conversion thereof in line with applicable Ind AS is also not provided. The ERP system needs to be strengthened.

2. There is an inherent weakness in operation of the secretarial department of the company. Procedure as required by the law in respect of allotment of shares on right basis, appointment of directors and dividend declaration are not followed. Forms are filed without accent of the board.

### Qualified Opinion

In our opinion subject to matters described in basis of quailed opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were fairly stated as at March 31, 2020, 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 RAG & ASSOCIATES  
Chartered Accountants  
(Firm's Registration No.: 008653C)



CA Raghvendera  
(Partner)  
Membership No. 089757

Place of Signature: Dehradun  
Date: 01.09.2020  
UDIN: 20089757AAAABQ8790



**ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT**  
(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements'  
section of our report to the Members of UJVN Limited of even date)

- i. a. The Company has maintained proper records showing full particulars, including quantitative details and situations of fixed assets purchased after its incorporation except for the assets transferred to it from UPJVNL.
- b. Assets transferred from UPJVNL are shown at a value as determined by the management. The value of such assets is neither in agreement with the fixed assets register of UPJVNL nor is the value taken certified by an approved auditor.
- c. As per the information, explanation and relevant records provided to us by the management, the title deeds of immovable properties are not fully held in the name of company. Out of total area of land of 1854.8959 hectare identified in possession of the company, area of 180.8440 is mutated in favour of the company. The company is yet to identify the area of land of 26 Locations. The amount invested in such immovable properties (where title deeds are not in the name of the company) is not ascertainable due to non-maintenance of proper records.
- ii. Valuation of Stocks has been done at cost as certified by the management instead of cost or Net realizable Value whichever is lower in terms of IND AS-2 issued by MCA.
- iii. According to the information and explanations given to us and on the basis of our examination of books of account, the company has not granted any loans, secured or unsecured, to companies, firms or the other parties covered in the register maintained under section 189 of the companies Act, 2013.
- iv. According to the information and explanations given to us and on the basis of our examination of Books of account, the Company has not granted any loan and advances and providing of guarantees and securities to its directors and other entities in which directors are interested under Sections 185 of the Companies Act, 2013 & has not given any loan and providing of guarantees and securities to any other body corporate or person u/s 186 of the Companies Act, 2013.
- v. According to the information and explanations given to us and on the basis of our examination of Books of account, the Company has not accepted deposits during the year.
- vi. According to the information and explanation given to us the maintenance of cost records under section 148(1) of the Companies Act, 2013 for the business activities carried out by the company are complied with.
- vii. (a) According to the information and explanation given to us there are no undisputed amount payable including provident fund, investor education and protection fund,

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employees state insurance, Income Tax, Goods and Service Tax, Sales Tax, Custom duty, Excise Duty, Cess and other material statutory dues as at 31.03.2020, for a period of more than six months from the date they become payable except amount of Rs.526.45 Crores which is payable to state government towards Royalty & Cess.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education Protection fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service tax, Custom Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrear as at March 31, 2020 for a period of more than six months from the date they become payable.

(c) According to the information and explanation given to us, the following are the particulars of disputed dues on account of Sales Tax, Income Tax and custom duty that have not been paid/ deposited:-

Name of the Statute	Nature of dues	Amount of Demand net of deposits	Period to which it relates	Forum where dispute is pending
Income Tax Act, 1961	Demand	Rs. 474.86 Lacs	AY 2011-12	CIT(A)
Income Tax Act, 1961	Demand	Rs. 593.71 Lacs	AY 2004-05	ITAT

- viii. In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to banks and financial institution expect on repayment of loan from NABARD of Rs. 37.73 crores for a period of 96 months.
- ix. The company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or terms loan and hence reporting clause 3 (ix) of the order is not applicable to the company.
- x. Based on the audit procedures performed and the information and explanation given to us by the management, we report that no fraud on or by the company has been noticed or reported during the year, nor have been informed of such cases by the management.
- xi. As per notification number G.S.R. 463 (E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, section 197 of the Act as regards the managerial remuneration is not applicable to the Company, since it is a Government Company.
- xii. Provisions relating to Nidhi, mutual benefits fund and society are not applicable to company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and details of such

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transactions have been disclosed in the Standalone Financial Statements as required by the applicable accounting standards.

- xiv. Since the company is a government company and all the shares are held by Governor of Uttarakhand. Hence requirement of provision of section 42 of the Companies Act, 2013 with regards to preferential allotment or private placement does not apply to the company. The company has not made any preferential allotment of fully or partly convertible debentures as defined in Section 42 of the Act during the year under review.
- xv. The company has not entered into any non cash transactions with directors or connected persons during the year.
- xvi. The company is not required to be registered with Reserve Bank of India u/s 451A of the RBI Act.

For RAG & ASSOCIATES  
Chartered Accountants  
(Firm's Registration No.: 008653C)



CA Raghvendera  
(Partner)  
Membership No. 089757

Place of Signature: Dehradun  
Date: 01.09.2020  
UDIN: 20089757AAAABQ8790



**ANNEXURE "C" TO THE INDEPENDENT AUDITOR'S REPORT**  
(Referred to in paragraph 3 under 'Report on Other Legal and Regulatory Requirements'  
section of our report to the Members of UJVN Limited of even date)

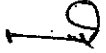
**Report on Revised and sector specific directions under section 143(5) of the Companies Act, 2013**

S. No.	Directions	Remarks
01	Whether the company has clear title/ lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/ lease deeds are not available?	Please refer point no. i of Annexure-B of our main report.
02	Whether there are many cases of waiver/write off of debts/ loans/ interest etc. If yes, the reasons there for an amount involved.	As per information and explanation provided to us, there were no such cases of waiver/ write off of debts/ loans/ interest etc. during Financial year 2019-20.
03	Whether proper records are maintained for inventories lying with third parties & assets received as gift/ grant (s) from the Government or other authorities.	Please refer point no. ii of Annexure-B of our main report. Further, no such case of asset received as gift/ grant from the Government or other authorities.
04	Adequacy of steps to prevent encroachment of idle land owned by Company may be examined. In case land of the Company is encroached, under litigation, not put to use or declared surplus, details may be provided.	As Statutory Auditors of the Company, this point does not fall under the purview of our education, training and expertise. However as per information and explanation provided to us, the company has adequate system to prevent encroachment of idle land owned by company.
05	Where land acquisition is involved in setting up new projects, report whether settlement of dues done expeditiously and in a transparent manner in all cases. The cases of deviation may please be detailed.	As per information and explanation provided to us, in case of land acquisition is involved in setting up new projects, the company settled the dues expeditiously and in a transparent manner.
06	Whether the company has an effective system for recovery of revenue as per contractual terms and the revenue is properly accounted for in the books of accounts in compliance with the	As per information and explanation provided to us, the Company has an effective system for recovery of revenue as per contractual terms and the revenue is properly accounted for in the books of

	applicable Accounting Standards?	accounts in compliance with the applicable Indian Accounting Standards.
07	How much cost has been incurred on abandoned projects and out of this how much cost has been written off?	Please refer point no. 9 of "Note No.45 Explanatory Statement" of Financial Statements.
08	In the case of Hydroelectric Projects the water discharge is as per policy/guidelines issued by the State Government to maintain biodiversity. For not maintaining it penalty paid/ payable may be reported.	As Statutory Auditors of the company, this point does not fall under the purview of our education, training and expertise. However as per information and explanation provided to us, the company adheres to the guidelines issued from time to time by State Government regarding discharge of water and no penalty is paid or payable during financial year 2019-20 in this regard.
09	Examine the system of effective utilization of Loans/ grant-in-Aid/Subsidy. List of cases of diversion of funds.	As per information and explanation provided to us and as revealed by our test checks performed on the books of accounts, the company has adequate system of effective utilization of loans/grant-in-aid/subsidy.
10	Examine the cost benefit analysis of major capital expenditure/ expansion including IRR and payback period.	As per information and explanation provided to us and as revealed by our test checks performed on the books of accounts, the company has established mechanism to examine the cost benefit analysis of major capital expenditure/ expansion including IRR and payback period.
11	If the audited entity has computerized its operations or part of it, assess and report, how much of the data in the company is in electronic format, which of the area such as accounting, sales personnel information, pay roll, inventory etc. have been computerized and the company has evolved proper security policy for data/software/ hardware?	As per information and explanation provided to us, the company has computerized systems for its operations. Areas of pay roll, accounting and Inventory have been computerized. Further, the company has adequate security arrangements for its data/software/hardware. Further refer to para-1 of basis of qualified

		opinion of Annexure -A of Independent Audit Report.
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For RAG & ASSOCIATES  
Chartered Accountants  
(Firm's Registration No.: 008653C)



CA Raghvendra  
(Partner)  
Membership No. 089757

Place of Signature: Dehradun  
Date: 01.09.2020  
UDIN-20089757AAAABQ8790



## Statutory Auditors' Report for FY 2019-20 and Management Replies thereon

Sr. No.	Statutory Auditors observations	Management Replies
Para 1 of Main Report	<p>The company has filed eight forms PAS-3 (Return of allotment of shares) for allotment of 8,53,215 equity shares of Rs. 1,000/- each without allotment of such shares in any board meeting. Hence, the allotment of such shares shown in its books and forms filed to MCA are void abinito. The paid up share capital of the company is overstated by Rs. 85,32,15,000/- and share application money pending allotment is understated by the same amount.</p> <p>The company has made violation of Companies (Acceptance of Deposits), Rules 2014 by neither allotting shares within 60 days of the receipt of share application money (Rs. 85,32,15,000/-) nor disclosing the amount not so allotted as "Deposits".</p>	<p>A standing resolution(s) was adopted in the 93rd meeting of the Board of directors on 20-06-2019 whereby authority to issue shares was delegated to the official(s)/Director(s) of the Company.</p> <p>In the light of the foregoing, the requisite form(s) -PAS-3 (i.e. Return of Allotment) were filed with the Registrar of Companies (ROC), Uttarakhand, which was also taken on record/approved and duly notified by the ROC, Uttarakhand.</p> <p>Pursuant to Rule 2(c)(vii) of the Companies (Acceptance of Deposits) Rules, 2014, together with Rule 2 (the "Rules"), and Section 2(31) of the Companies Act 2013 (the "Act"), which specifically excluded share application money from the ambit of the term "Deposit" provided that, the shares are allotted within sixty days from the date of receipt of the share application money.</p> <p>Moreover, section 42 of the Act, which stipulates that shares shall be allotted within 60 days of receipt of share application money.</p> <p>However, allotment of shares to the Governor of Uttarakhand, being an existing shareholder, holding 99.99% of shares of UJVN Limited, is out of the purview of section 42 of the Act. This allotment, therefore, will be covered within the provisions of section 62(1) of the Act, for which, there is no such stipulation of allotment of shares within 60 days of receipt of</p>

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		<p>share application money.</p> <p>Hence, the Company has made no violation of the aforesaid Rules.</p>
Para 2 of Main Report	<p>We are of the opinion that a professional conducting secretarial audit be a different person than the person who is filing and assisting the management in filing the statutory forms with MCA, since, the independence of the secretarial auditor is jeopardized.</p> <p>The secretarial audit report dated 22.06.2020 has been issued by the same professional who has been associated in filing of various forms with MCA which does not point out the irregularities observed in filing of forms and other matters as pointed out in the statutory audit. We are of the opinion that in view of the above, in depth secretarial audit may be carried out by a competent professional to verify the various non-compliances/lapses and their consequences under the Companies Act, 2013.</p>	<p>Noted for Compliances.</p> <p>The Secretarial audit is an independent Audit by a professional, who has been empowered under the provision of Section 204 of the Companies Act, 2013.</p>
Para 3 of Main Report	<p>At the time of conversion of accounts to Ind AS, the company has opted to continue with the carrying cost of all its Property; Plant and Equipment's as recognized in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and used that as its deemed cost (IND AS 101: First Time Adoption of Indian Accounting Standards). However, the carrying cost of all its Property; Plant and Equipment's are provisional. As stated by the</p>	<p>Nigam considered the figures of opening balances as confirmed with the books of accounts of the various divisions and informed &amp; confirmed by UPJVNL. The value of Fixed Assets of UJVN Limited are in agreement with UPJVNL and in confirmatory with GFA considered by UERC.</p> <p>On Finalization of Transfer Scheme, any adjustments emerging there from would be accounted for in the year of settlement. The appropriate disclosure in this regards has been made in</p>

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<p>Annexure B para (i) (b)</p>	<p>management these provisional balances are taken in absence of final transfer scheme between UPJVNL and UJVNL. The accuracy of these balances of the specific assets &amp; liabilities is not ascertainable in absence of any agreement between UPJVNL &amp; UJVNL on final transfer scheme. These opening balances are unaudited and are not in agreement with the balances shown as transferred by UPJVNL in their audited accounts for the year ending 31.03.2002. These assets transferred from UPJVNL are shown at a value as determined by the management. The value of such assets is neither in agreement with the fixed assets register of UPJVNL nor are these certified by any approved valuer. Hence, we are unable to comment whether carried forward balances are correct.</p> <p style="text-align: center;"><b>AND</b></p> <p>Assets transferred from UPJVNL are shown at a value as determined by the management. The value of such assets is neither in agreement with the fixed assets register of UPJVNL nor is the value taken certified by an approved auditor.</p>	<p>the Financial Statements of the Nigam (Note 45).</p> <p>The issue of Settlement of opening balance of Assets &amp; Liabilities with UP Jal Vidyut Nigam Limited is under Finalisation. Necessary efforts are being made with UPJVNL to settle the issue of opening balance at the earliest.</p>
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Para 4 of Main Report	Stock; stores and spares (Note no-9) are not taken at NRV as required by Ind AS 2. The management has certified that the same is shown at cost. Further, Stock; stores and spares includes Inventory damage, Inventory refurbishment and Inventory O&M used amounting to Rs.3,92,93,595/-. Profit of the company is subject to adjustment, if any.	Noted for compliance in subsequent year.
Annexure B para (ii)	<b>AND</b>	
Annexure B para (ii)	Valuation of stocks has been done at cost as certified by the management instead of cost or Net realizable Value whichever is lower in terms of IND AS- issued by MCA.	
Para 5 of Main Report	The management wide note-9 of notes to account has disclosed that the company has written off the investments made in five projects namely Kaldigad, Asi-Ganga I, Asi-Ganga II, Asi-Ganga III and Limchagad. An amount of Rs. 48.14 crores has been written off and charged to the profit and loss account as an exceptional item. The company has not taken into consideration the realizable value of the inventory and assets lying at these projects. The value cannot be determined in absence of information made available to us. Thus, the profit of the company is understated by such amount.	The appropriate disclosure in this regards has been made in the Financial Statements of the Nigam. Nigam will undertake an independent third party assessment of assets, CWIP, stock etc. to ascertain their best utilisation or realisation. Necessary adjustment will be made in the year realisation or utilisation as an exceptional item.
Para 6 of Main Report	Figures are not substantiated by third party confirmation as required by SA 505- "External Confirmation".	All balances appearing in Balance sheet are taken from verified Trial Balances duly verified by the respective units. Such Trial Balances have also been duly vetted by Internal auditors. However, noted for compliances

Para 7 of Main Report	<p>One of the major debtors of the company i.e. UPCL, is not making payment in respect of Cess and Royalty which is payable to the state government. The total outstanding in the name of UPCL as on 31<sup>st</sup> March, 2020 is Rs 707.39 crores out of which an amount of Rs.526.45 crores is in respect of Cess &amp; Royalty, no provision towards the same has been made in the books of accounts.</p>	<p>UPCL is a GoU owned Company. Continuous follow-ups with UPCL at different fronts are being made to recover the outstanding balances of Royalty &amp; Cess. The same shall be paid to GOU as and when received from UPCL. Provision cannot be made in the books of UJVNL until GOU specifically directs for the same.</p>
Annexure B para (vii) (a)	<p style="text-align: center;">AND</p> <p>According to the information and explanation given to us there are no undisputed amount payable including provident fund, investor education and protection fund, employees state insurance, income tax, goods and service tax, sales tax, custom duty, excise duty, cess and other material statutory dues as at 31.3.2020., for a period of more than six months from the date they become payable except amount of Rs. 526.45 crores which is payable to state government towards Royalty &amp; Cess.</p>	
Para 8 of Main Report	<p>The company has received grant of Rs.7,79,00,000/- from the government of Delhi which remained unspent during the year. The company has earned interest on the grant and has credited the amount in Incidental expenditure pending Capitalization (CWIP). This has resulted in understatement of CWIP and understatement of liabilities by the same amount.</p>	<p>Lakhwar projects is a multipurpose scheme on river Yamuna. Nigam received a sum of Rs.7.70 cr. as Seed money from Govt. of Delhi, being one of the beneficiaries of Lakhwar project in the financial year 2018-19 and which was shown as Deferred income(Other liabilities) in accounts in line with Ind-AS 20. During the financial year under consideration, Nigam earned an interest of Rs.24.66 lacs on Seed money and credited the same to Incidental expenditure pending Capitalisation (shown under CWIP). As interest earned on said seed money received</p>

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		is of capital nature and also be available for the use of construction of project, so the same was credited to Capital Work in Progress.
Para 9 of Main Report	The company is required to spend a sum of Rs.3,52,17,938/- (up to 31.03.2017) under CSR. The unspent amount of Rs.1,62,18,793/- is required to be deposited in a separate account, however, the company has failed to do so.	Noted for Compliances.
Para 10 of Main Report	Capital work in progress includes Rs.21.13 crores on account of CWIP related to Bhaironghati Hydro Power Project. The project was discontinued as per Government of Uttarakhand order dated 03.01.2011. GOU also directed to claim the expenditure incurred on the project from Government of India through GOU. However, the company had not lodged the claim. This has resulted in overstatement of profit as well as Capital work in progress by Rs.21.13 crores.	<p>Govt. of Uttarakhand and M/s CCC entered into a service agreement dated 14.02.2004 to develop Bhaironghati Hydro Power Project amounting to CAD 61,00000/- . UJVN Limited was executing agency as per the agreement. Accordingly, UJVN Limited executed the work and payments were made for which funds were provided by GoU.</p> <p>M/s CCC has raised the bill for balance payment of CAD 1220000/- and GoU has been requested to provide necessary concurrence and funds for release of balance payment so that contract can be closed.</p> <p>After closing of the contract as per the directives of GoU, the total expenditure will be firmed up and action for written off shall be initiated if required.</p>
Para 11 of Main Report	Other financial liability at note no-17 includes an amount of Rs. 3,04,45,749/-, Rs. 42,38,912 under trade payables and security deposit payable and Rs. 2,88,81,125/- Note no -8 under advances to contractors respectively. These balances are outstanding since 31.3.2002. The details of these outstanding are not	<p>Nigam considered the figures of opening balances as confirmed with the books of accounts of the various divisions and informed &amp; confirmed by UPJVNL.</p> <p>The issue of Settlement of opening balance of Assets &amp; Liabilities with UP Jal Vidyut Nigam Limited is under Finalisation. On Finalization of Transfer Scheme, any</p>

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	available with the company and need to be written off.	adjustments emerging there from would be accounted for in the year of settlement. The appropriate disclosure in this regards has been made in the Financial Statements of the Nigam (Note 45).
Annexure A para 1	ERP system implemented by the company does not provide maker-checker concept, module for auditors to apply test of controls for conducting audit, reports on statutory compliances, does not ensure that the transactions are recorded on real time basis, proper audit trails are not available in the system, measures to safeguard assets and facility to draw final accounts from SAP along with conversion thereof in line with applicable Ind AS is also not provided. The ERP system need to be strengthened.	<p><b>1. ERP system implemented by the company does not provide maker-checker concept</b></p> <p>The principle of maker and checker means that for each transaction, there must be at least two individuals necessary for its completion.</p> <p>Maker &amp; Checker concept has been accommodated in the system through "Parking and Posting" format for recording of financial transactions. Which means that one authority initially parks the transactions in the system, and then the same transaction is reviewed by the higher authority and posted to system as financial transactions. For example, Invoices against a purchase order are parked by the concerned EE and after review the same are posted in the system by the concerned accounting personnel in the system to create a financial liability against the said invoice, there after the liability document is approved by the concerned DDO for transfer of funds by Central payment office. A dashboard namely procurement to pay dashboard (T-code ZFI 4024) may be seen to view the multi-layered process right from procurement of Goods &amp; Services till their final payments.</p> <p>Further, all the purchase requisition, purchase orders etc. are approved subject to adherence of laid down approval hierarchy of UJVN Limited in line with the delegation of power.</p>

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**2. The system does not provide module for auditor to apply Test of controls for conducting audit.**

The purpose of audit can be achieved by giving all display rights to auditor's ID through which he can view and check all reports being generated by the SAP system.

Separate SAP ID has been provided to statutory auditor. ID has been enabled with all the roles for reviewing the data and transactions in the system. In production environment testing is not allowed as same may impact the live data.

For applying such control checks auditor shall also be provided id for quality/development server where the production environment will be created, and all control testing may be done.

**3.The system does not provide reports on statutory compliances**

Various reports have been developed as per the requirement to ensure statutory compliances. To assist an accounting unit to file GST return, a multi-utility GST report has been developed. TDS reports have also been developed to assist accounting units to file quarterly returns. Further, new reports can also be developed, if required.

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**4. System does not ensure that transactions are recorded on real time basis**

SAP provides the provision to record transaction on real time basis, at present Accounting period in UJVNL is being locked on month to month basis. Rights are given to authorised user of finance for opening or closing the period for posting. Once a period is locked, no further transaction is possible in that period.

However, for journal entries after 31<sup>st</sup> march the period is kept open which is a standard practice.

As per the requirement if any entry is required to be posted in the system after re-opening of a locked period, system will accept the entry with current time stamp.

**5. Audit Trails are not available in the system.**

SAP provides complete log of each transaction with time stamp. Audit trail to a particular transaction can be accessed through the system itself by drilling down to the "Document environment tab" and viewing the underlying transactions from the other modules namely material management, projects system, etc. Further, log of each transaction such as when document is posted, by which Id and who has changed the document with time stamp is available in the system.

**6. Should provide a system which safeguards the assets of the company.**

Fixed asset register is available in the SAP system. Besides, other data related to a particular asset, the fixed asset register also include its asset code, location etc., which enables


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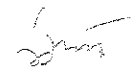
		<p>origination to trace the location of the asset also</p> <p><b>7. The system does not provide the facility to draw the final accounts</b> SAP system is generating unit wise as well as company wise trial balance report in real time to draw the final accounts.</p> <p><b>8. The system does not provide any module to convert the figures in line with IND AS compliance i.e. converting the values to present values.</b></p> <p>Modifications are being done for conversion of financial statements in line with the requirement of IND AS.</p>
Annexure A para 2	There is an inherent weakness in operation of the secretarial department of the company. Procedure as required by the law in respect of allotment of shares on right basis, appointment of directors and dividend declaration are not followed. Forms are filed without accent of the board.	Noted for compliance.
Annexure B para (i) (c)	As per the information, explanation and relevant records provided to us by the management, the title deeds of immovable properties are not fully held in the name of company. Out of total area of land of 1854.8959 hectare identified in possession of the company, area of 180.8440 is mutated in favour of the company. The company is yet to identify the area of land of 26 locations. The amount invested in such immovable properties (where title deeds are not in the name of the company) is not ascertainable due to non-maintenance of proper records.	Efforts are being made to get all titles transferred in the name of Nigam.

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Annexure B para (viii)	In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to banks and financial institution except on repayment of loan from NABARD of Rs 37.73 crores for a period 96 months	The GoU-NABARD loan pertains to 3 SHPs namely; Asiganga -I, Asiganga -II and Sobla -I abandoned due to falling under Eco-sensitive zone. GoU is being requested for waiver of repayment of the loan including interest against these projects.
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(Sudhakar Badoni)  
Director (Finance)

  
(Sandeep Singhal)  
Managing Director